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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Applicant: Bruce Bent et al.  
Title: MONEY FUND BANKING  
SYSTEM  
Appl. No.: 10/825,440 Reissue  
Filing Date: 4/14/2004  
Examiner: Jagdish Patel  
Art Unit: 3693  
Confirmation Number: 8474

**LITIGATION NOTIFICATION**

Mail Stop REISSUE  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

This communication is provided pursuant to 37 C.F.R. 1.178(b), concerning the above-referenced patent application. A comparable Litigation Notification is being filed in all co-pending patent applications of Applicants.

Pursuant to 37 C.F.R. 1.178(b), Applicants state that they now have knowledge of a concurrent proceeding in which the '231 patent is involved.

Applicants' representative was notified by the firm of Amster, Rothstein & Ebenstein LLP, acting as litigation counsel for the assignee Island Intellectual Property LLC (defined as "Island IP") and one of Island IP's exclusive licensees, LIDs Capital LLC ("LIDs"), and LIDs sublicensee, Double Rock Corporation, collectively, "the Island IP Parties," that on the morning of Tuesday, March 24, 2009, the Island IP Parties brought two lawsuits to enforce U.S. Patent

No. 7,509,286 (a continuation-in-part of the '231 patent in reissue) against several accused infringers in the U.S. District Court for the Southern District of New York, case nos. 09 CV 2675 (**Attachment A**), and 09 CV 2677 (**Attachment B**).

After representatives of each of the defendants were notified of the above-listed lawsuits, a separate suit was filed by Promontory Interfinancial Network, LLC, ("Promontory"), one of the defendants in the above-listed suits, at 1:05 pm of the same day, March 24, 2009, in the U.S. District Court for the Eastern District of Virginia. The suit in the Eastern District of Virginia against Island IP and Double Rock Corporation relates to U.S. Patent No. 6,374,231 (currently reissue application 10/825,440) and U.S. Patent No. 7,509,286, with counts of non-infringement, invalidity, unenforceability, as well as Federal and state tort claims (**Attachment C**). An amended complaint was filed on March 27, 2009 (**Attachment D**), adding LIDs Capital LLC as a party. The applicants respectfully submit that these claims are unfounded

The Virginia complaint against U.S. Patent No. 6,374,231 lists items of prior art as allegedly being withheld. In this respect, an attorney for Promontory, has been sending letters to the firm of Amster, Rothstein & Ebenstein LLP, identifying prior art, with copies to applicants' representative, timed to arrive after a Notice of Allowance and/or issue fees had been paid in co-pending applications of the applicants. Each of the items of prior art listed in the Virginia suit had previously been disclosed in the present reissue application in information disclosure statements (IDSs), as follows:

On sale activity by Assignee (referenced in paragraph 71 of Attachment C and paragraph 72 of Attachment D)—disclosed in **IDS of March 2, 2007, E6.**

1983 CMA/ISA Service (referenced in paragraph 72 of Attachment C and paragraph 73 of Attachment D)—disclosed in **IDS of September 26, 2008, H38.**

William W. Wiles ltr of June 22, 1983 (referenced in paragraph 73 of Attachment C and paragraph 74 of Attachment D)—disclosed in **IDS of September 26, 2008, H38.**

Michael Bradford ltr of November 16, 1984 (referenced in paragraph 73 of Attachment C and paragraph 74 of Attachment D)—disclosed in **IDS of September 26, 2008, H42.**

Oliver I. Ireland ltr of June 22, 1988 (referenced in paragraph 73 of Attachment C and paragraph 74 of Attachment D)—disclosed in **IDS of September 26, 2008, H44.**

Oliver I. Ireland ltr of August 1, 1995 (referenced in paragraph 73 of Attachment C and paragraph 74 of Attachment D)—disclosed in **IDS of December 15, 2008, J3.**

Oliver I. Ireland ltr of August 30, 1995 (referenced in paragraph 73 of Attachment C and paragraph 74 of Attachment D)—disclosed in **IDS of December 15, 2008, J4.**

Oliver I. Ireland ltr of October 18, 1996 (referenced in paragraph 73 of Attachment C and paragraph 74 of Attachment D)—disclosed in **IDS of December 15, 2008, J1.**

2000 CMA 2.0 Service (referenced in paragraph 90 of Attachment C and paragraph 91 of Attachment D)—disclosed in **IDS of March 23, 2009, K10, K11.**

The Virginia complaint makes reference to alleged misstatements regarding the prior art. With the single exception of the item that will be discussed below, all alleged misstatements have been addressed in the respective applications involved.

In application serial no. 10/071,053, when an attorney for Promontory provided two references to the firm of Amster, Rothstein & Ebenstein LLP on February 23, 2009, relating to

a Merrill Lynch banking product for year 2000, due inquiry before submission was made of applicants, and then an IDS with a certification according to 37 CRF 1.97(e)(2) was filed on 3/03/09, disclosing these two references after the issue fee had been paid. Applicants' representative considers these references to be cumulative to what was previously submitted and not material to the claims of serial no. 10/071,053 for the reasons cited in the 3/03/09 IDS, and thus did not file an RCE and Petition. The examiner in application serial no. 10/071,053 indicated that she would not be considering these references.

However, with respect to application serial no. 10/071,053, the Virginia complaint filed by Promontory Interfinancial Network, LLC, indicated that Bruce Bent II, one of the inventors of the patents and applications, had made comments about a new Merrill Lynch product in the article On Wall Street on November 1, 2000. Upon further inquiry, Mr. Bent, again stated that he had never seen the documents disclosed by the defendants attorney, but did state that he was aware of the Merrill Lynch product. Accordingly, some information in the specific documents was known to applicants more than 3 months before disclosure of those particular documents in the March 3, 2009 IDS that (as noted above) was not considered by the examiner in application serial no. 10/071,053, making the certification arguably incorrect. However, that information had been previously disclosed more than 2 years earlier at least in items D11 and D15 in the IDS of October 20, 2006 filed in application serial no. 10/071,053, that was considered by the examiner.

Applicants state that they have no current knowledge of prior or concurrent interferences, reissues, or reexaminations in which the '231 patent is involved.

The examiner should be aware that the following co-pending patent applications disclosed in an IDS relate to similar kinds of products, although the claims are clearly patentably distinct. The most recent action for these applications is listed.

**10/825,440** filed 4-14-04 (3/25/09 Advisory Office Action rejection) (Present case)  
**09/677,535** filed 10-2-00 (7/22/08 Notice of Allowance—Proposed amendment filing)  
**10/071,053** filed 2-8-02 (2/09/09 Notice of Allowance—Issue Notification)  
**10/305,439** filed 11-26-02 (5/02/08 Response filed to non-final rejection)  
**11/149,278** filed 06-10-05 (12/19/08 Office Action rejection received)  
**10/382,946** filed 03-06-03 (1/15/09 Notice of Allowance)

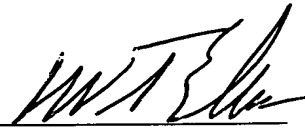
**10/411,650** filed 04-11-03 (Issued as US 7,509,286)  
**11/641,046** filed 12-19-06 (2/19/09 Office Action with rejection)  
**11/689,247** filed 3-21-07 (2/02/09 Office Action with rejection)  
**11/767,827** filed 6-25-07 (3/06/09 Office Action with rejection)  
**11/767,837** filed 6-25-07 (2/05/09 Office Action with rejection)  
**11/767,846** filed 6-26-07 (2/25/09 Office Action with rejection)  
**11/767,856** filed 6-25-07 (2/25/09 Office action with rejection)  
**11/840,064** filed 8-16-07 (10/15/08 Office Action with rejection)  
**11/840,060** filed 8-16-07 (Response filed 12/09/08 to Office Action with rejection)  
**11/840,052** filed 8-16-07 (Response filed 12/11/08 to Office Action with rejection)  
**11/932,762** filed 10-31-07 (Response filed 11/24/08 to Office Action with rejection)  
**12/271,705** filed 11-14-08  
**12/025,402** filed 2-04-08  
**12/340,026** filed 12-19-08  
**12/408,507** filed 3-20-09  
**12/408,511** filed 3-20-09  
**12/408,523** filed 3-20-09.

The examiner is directed to review the file of these other co-pending applications as he/she deems appropriate, to determine the reasoning and references applied in the current and/or prior office actions, as well as applicants' responses thereto.

The Examiner is invited to contact the undersigned by telephone if it is felt that a telephone interview would advance the prosecution of the present application.

The Commissioner is hereby authorized to charge any deficiency or credit any overpayment to Deposit Account No. 19-0741. If any extensions of time are needed for timely acceptance of papers submitted herewith, applicants hereby petition for such extension under 37 C.F.R. §1.136 and authorizes payment of any such extensions fees to Deposit Account No. 19-0741.

Respectfully submitted,

By 

William T. Ellis  
Attorney for Applicants  
Registration No. 26,874

Date April 2, 2009

FOLEY & LARDNER LLP  
Customer Number: 22428  
Telephone: (202) 672-5485  
Facsimile: (202) 672-5399

# EXHIBIT A

# JUDGE MARRERO COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for use of the Clerk of Court for the purpose of initiating the civil docket sheet.

## PLAINTIFFS

ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL, LLC, and DOUBLE ROCK CORPORATION

ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Amster Rothstein & Ebenstein LLP  
90 Park Avenue, New York, NY 10016  
212-336-8000

## DEFENDANTS

PROMONTORY FINANCIAL NETWORK, LLC and MBSC SECURITIES CORPORATION

ATTORNEYS (IF KNOWN)

U.S.D.C. S.D. N.Y.  
CASHIERS

CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE)  
(DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

35 U.S.C. § 271. Patent Infringement.

Has this or a similar case been previously filed in SDNY at any time? No ☒ Yes ☐ Judge Previously Assigned \_\_\_\_\_

If yes, was this case Vol ☐ Invol. ☐ Dismissed. No ☐ Yes ☐ If yes, give date \_\_\_\_\_ & Case No. \_\_\_\_\_

(PLACE AN [x] IN ONE BOX ONLY)

## NATURE OF SUIT

### TORTS

### ACTIONS UNDER STATUTES

#### CONTRACT

- ☐ 110 INSURANCE
- ☐ 120 MARINE
- ☐ 130 MILLER ACT
- ☐ 140 NEGOTIABLE INSTRUMENT
- ☐ 150 RECOVERY OF OVERPAYMENT & ENFORCEMENT OF JUDGMENT
- ☐ 151 MEDICARE ACT
- ☐ 152 RECOVERY OF DEFAULTED STUDENT LOANS (EXCL VETERANS)
- ☐ 153 RECOVERY OF OVERPAYMENT OF VETERANS' BENEFITS
- ☐ 160 STOCKHOLDERS SUITS
- ☐ 190 OTHER CONTRACT
- ☐ 195 CONTRACT PRODUCT LIABILITY
- ☐ 196 FRANCHISE

#### PERSONAL INJURY

- ☐ 310 AIRPLANE
- ☐ 315 AIRPLANE PRODUCT LIABILITY
- ☐ 320 ASSAULT, LIBEL & SLANDER
- ☐ 330 FEDERAL EMPLOYERS' LIABILITY
- ☐ 340 MARINE
- ☐ 345 MARINE PRODUCT LIABILITY
- ☐ 350 MOTOR VEHICLE
- ☐ 355 MOTOR VEHICLE PRODUCT LIABILITY
- ☐ 360 OTHER PERSONAL INJURY

#### PERSONAL INJURY

- ☐ 362 PERSONAL INJURY - MED MALPRACTICE
- ☐ 365 PERSONAL INJURY PRODUCT LIABILITY
- ☐ 368 ASBESTOS PERSONAL INJURY PRODUCT LIABILITY
- ☐ 370 OTHER FRAUD
- ☐ 371 TRUTH IN LENDING
- ☐ 380 OTHER PERSONAL PROPERTY DAMAGE
- ☐ 385 PROPERTY DAMAGE PRODUCT LIABILITY

#### FORFEITURE/PENALTY

- ☐ 610 AGRICULTURE
- ☐ 620 OTHER FOOD & DRUG
- ☐ 625 DRUG RELATED SEIZURE OF PROPERTY
- ☐ 630 LIQUOR LAWS
- ☐ 640 RR & TRUCK
- ☐ 650 AIRLINE REGS
- ☐ 660 OCCUPATIONAL SAFETY/HEALTH
- ☐ 690 OTHER

#### LABOR

- ☐ 710 FAIR LABOR STANDARDS ACT
- ☐ 720 LABOR/MGMT RELATIONS
- ☐ 730 LABOR/MGMT REPORTING & DISCLOSURE ACT
- ☐ 740 RAILWAY LABOR ACT
- ☐ 790 OTHER LABOR LITIGATION
- ☐ 791 EMPL RET INC SECURITY ACT

#### IMMIGRATION

- ☐ 462 NATURALIZATION APPLICATION
- ☐ 463 HABEAS CORPUS- ALIEN DETAINEE
- ☐ 465 OTHER IMMIGRATION ACTIONS

#### BANKRUPTCY

- ☐ 422 APPEAL 28 USC 158
- ☐ 423 WITHDRAWAL 28 USC 157

#### PROPERTY RIGHTS

- ☐ 820 COPYRIGHTS
- ☒ 830 PATENT
- ☐ 840 TRADEMARK

#### SOCIAL SECURITY

- ☐ 861 HIA (1395m)
- ☐ 862 BLACK LUNG (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID TITLE XVI
- ☐ 865 RSI (405(g))

#### FEDERAL TAX SUITS

- ☐ 870 TAXES (U.S. Plaintiff or Defendant)
- ☐ 871 IRS-THIRD PARTY 26 USC 7609

#### OTHER STATUTES

- ☐ 400 STATE REAPPORTIONMENT
- ☐ 410 ANTI TRUST
- ☐ 430 BANKS & BANKING
- ☐ 450 COMMERCE
- ☐ 460 DEPORTATION
- ☐ 470 RACKETEER INFLUENCED & CORRUPT ORGANIZATION ACT (RICO)
- ☐ 480 CONSUMER CREDIT
- ☐ 490 CABLE/SATELLITE TV
- ☐ 610 SELECTIVE SERVICE
- ☐ 650 SECURITIES/ COMMODITIES/ EXCHANGE
- ☐ 875 CUSTOMER CHALLENGE 12 USC 3410
- ☐ 890 OTHER STATUTORY ACTIONS
- ☐ 891 AGRICULTURAL ACTS
- ☐ 892 ECONOMIC STABILIZATION ACT
- ☐ 893 ENVIRONMENTAL MATTERS
- ☐ 894 ENERGY ALLOCATION ACT
- ☐ 895 FREEDOM OF INFORMATION ACT
- ☐ 900 APPEAL OF FEE DETERMINATION UNDER EQUAL ACCESS TO JUSTICE
- ☐ 950 CONSTITUTIONALITY OF STATE STATUTES

#### REAL PROPERTY

- ☐ 210 LAND CONDEMNATION
- ☐ 220 FORECLOSURE
- ☐ 230 RENT LEASE & EJECTMENT
- ☐ 240 TORTS TO LAND
- ☐ 245 TORT PRODUCT LIABILITY
- ☐ 290 ALL OTHER REAL PROPERTY

#### ACTIONS UNDER STATUTES

##### CIVIL RIGHTS

- ☐ 441 VOTING
- ☐ 442 EMPLOYMENT
- ☐ 443 HOUSING/ ACCOMMODATIONS
- ☐ 444 WELFARE
- ☐ 445 AMERICANS WITH DISABILITIES - EMPLOYMENT
- ☐ 446 AMERICANS WITH DISABILITIES - OTHER
- ☐ 440 OTHER CIVIL RIGHTS

##### PRISONER PETITIONS

- ☐ 510 MOTIONS TO VACATE SENTENCE 28 USC 2255
- ☐ 530 HABEAS CORPUS
- ☐ 535 DEATH PENALTY
- ☐ 540 MANDAMUS & OTHER
- ☐ 550 CIVIL RIGHTS
- ☐ 555 PRISON CONDITION

Check if demanded in complaint:

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DO YOU CLAIM THIS CASE IS RELATED TO A CIVIL CASE NOW PENDING IN S.D.N.Y.? IF SO, STATE:

DEMAND \$ \_\_\_\_\_ OTHER \_\_\_\_\_ JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

Check YES only if demanded in complaint

JURY DEMAND: ☒ YES ☐ NO

NOTE: Please submit at the time of filing an explanation of why cases are deemed related.



(PLACE AN x IN ONE BOX ONLY)

ORIGIN

- ☒ 1 Original Proceeding ☐ 2a. Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from (Specify District) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judge Judgment
- ☐ 2b. Removed from State Court AND at least one party is pro se.

(PLACE AN x IN ONE BOX ONLY)

BASIS OF JURISDICTION

IF DIVERSITY, INDICATE CITIZENSHIP BELOW. (28 USC 1322, 1441)

- ☐ 1 U.S. PLAINTIFF ☐ 2 U.S. DEFENDANT ☒ 3 FEDERAL QUESTION (U.S. NOT A PARTY) ☐ 4 DIVERSITY

CITIZENSHIP OF PRINCIPAL PARTIES (FOR DIVERSITY CASES ONLY)

(Place an [X] in one box for Plaintiff and one box for Defendant)

	PTF	DEF		PTF	DEF		PTF	DEF
CITIZEN OF THIS STATE	[ ]	[ ]	CITIZEN OR SUBJECT OF A FOREIGN COUNTRY	[ ]	[ ]	INCORPORATED and PRINCIPAL PLACE OF BUSINESS IN ANOTHER STATE	[ ]	[ ]
CITIZEN OF ANOTHER STATE	[ ]	[ ]	INCORPORATED or PRINCIPAL PLACE OF BUSINESS IN THIS STATE	[ ]	[ ]	FOREIGN NATION	[ ]	[ ]

PLAINTIFF(S) ADDRESS(ES) AND COUNTY(IES)

Island Intellectual Property 1250 Broadway, 32nd Floor New York, NY 10001 New York County	LIDS Capital, LLC 1250 Broadway, 32nd Floor New York, NY 10001 New York County	Double Rock Corporation 1250 Broadway, 32nd Floor New York, NY 10001 New York County
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DEFENDANT(S) ADDRESS(ES) AND COUNTY(IES)

Promontory Interfinancial Network, LLC 1515 North Courthouse Road, Suite 800 Arlington, VA 22201 Arlington County	MBSC Securities Corporation 200 Park Avenue New York, NY 10166 New York County
--	---

DEFENDANT(S) ADDRESS UNKNOWN

REPRESENTATION IS HEREBY MADE THAT, AT THIS TIME, I HAVE BEEN UNABLE, WITH REASONABLE DILIGENCE, TO ASCERTAIN THE RESIDENCE ADDRESSES OF THE FOLLOWING DEFENDANTS:

Check one: THIS ACTION SHOULD BE ASSIGNED TO: ☐ WHITE PLAINS ☒ MANHATTAN  
(DO NOT check either box if this a PRISONER PETITION.)

DATE 3/24/2009 SIGNATURE OF ATTORNEY OF RECORD

*Charles R. Mauch*

ADMITTED TO PRACTICE IN THIS DISTRICT

[ ] NO

☒ YES (DATE ADMITTED Mo. Jan. Yr. 1991)  
Attorney Bar Code # CM 4980

RECEIPT #

Magistrate Judge is to be designated by the Clerk of the Court.

Magistrate Judge \_\_\_\_\_ is so Designated.

J. Michael McMahon, Clerk of Court by MAG. PECK Deputy Clerk, DATED \_\_\_\_\_

UNITED STATES DISTRICT COURT (NEW YORK SOUTHERN)

UNITED STATES DISTRICT COURT

Southern

District of

New York

ISLAND INTELLECTUAL PROPERTY LLC, LIDS  
CAPITAL, LLC, and DOUBLE ROCK CORP.

SUMMONS IN A CIVIL ACTION

V.

PROMONTORY INTERFINANCIAL NETWORK,  
LLC and MBSC SECURITIES CORPORATION

CASE NUMBER

09 CV 2675

TO: (Name and address of Defendant)

**JUDGE MARRERO**

Promontory Interfinancial Network, LLC  
1515 North Courthouse Road, Suite 800  
Arlington, VA 22201

MBSC Securities Corporation  
200 Park Avenue  
New York, NY 10166

**YOU ARE HEREBY SUMMONED** and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Amster Rothstein & Ebenstein LLP  
90 Park Avenue  
New York, NY 10016  
212-336-8000

an answer to the complaint which is served on you with this summons, within twenty (20) days after service of this summons on you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. Any answer that you serve on the parties to this action must be filed with the Clerk of this Court within a reasonable period of time after service.

J. MICHAEL McMAHON

MAR 24 2009

CLERK

*Catherine Lapinsky*

(By) DEPUTY CLERK

DATE

RETURN OF SERVICE		
Service of the Summons and complaint was made by me <sup>(1)</sup>	DATE	
NAME OF SERVER (PRINT)	TITLE	
<i>Check one box below to indicate appropriate method of service</i>		
<div style="margin-bottom: 10px;"><input type="checkbox"/> Served personally upon the defendant. Place where served:</div> <div style="margin-bottom: 10px;"><input type="checkbox"/> Left copies thereof at the defendant's dwelling house or usual place of abode with a person of suitable age and discretion then residing therein. Name of person with whom the summons and complaint were left:</div> <div style="margin-bottom: 10px;"><input type="checkbox"/> Returned unexecuted:</div> <div style="margin-bottom: 10px;"><input type="checkbox"/> Other (specify):</div>		
STATEMENT OF SERVICE FEES		
TRAVEL	SERVICES	TOTAL \$0.00
DECLARATION OF SERVER		
<p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <p>Executed on _____ Date _____ Signature of Server _____</p> <p style="text-align: center;">_____ Address of Server</p>		

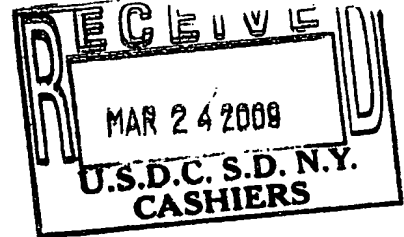
(1) As to who may serve a summons see Rule 4 of the Federal Rules of Civil Procedure.

*James G. [Signature]*

# JUDGE MARRERO

Anthony F. Lo Cicero (AL 7538)  
Charles R. Macedo (CM 4980)  
Benjamin Charkow (BC 4455)  
AMSTER, ROTHSTEIN & EBENSTEIN LLP  
90 Park Avenue  
New York, New York 10016  
Telephone: (212) 336-8000  
Facsimile: (212) 336-8001

Attorneys for Plaintiffs  
Island Intellectual Property LLC  
LIDs Capital, LLC and Double Rock Corporation



## UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

----- x  
ISLAND INTELLECTUAL PROPERTY LLC,  
LIDS CAPITAL, LLC and DOUBLE ROCK  
CORPORATION,

Plaintiffs,

v.

PROMONTORY INTERFINANCIAL  
NETWORK, LLC and MBSC SECURITIES  
CORPORATION,

Defendants.  
----- x

Civil Action No.:

**COMPLAINT**  
**JURY TRIAL DEMANDED**

### COMPLAINT FOR PATENT INFRINGEMENT

Plaintiffs Island Intellectual Property LLC ("Island IP"), LIDs Capital, LLC ("LIDs Capital") and Double Rock Corporation ("Double Rock"), (collectively, "Island"), by their attorneys Amster, Rothstein & Ebenstein LLP, for their complaint against Defendants Promontory Interfinancial Network, LLC ("Promontory") and MBSC Securities Corporation ("MBSC") (collectively, "Defendants") allege as follows:

### NATURE OF THE ACTION

1. This is an action for patent infringement arising out of Defendants' infringement of the Island Plaintiffs' U.S. Patent No. 7,509,286 generally relating to computerized account management techniques used with insured deposit accounts. Specifically, this Complaint asserts claims against Defendants arising from their infringement of at least Claim 1 of U.S. Patent No. 7,509,286, issued on March 24, 2009, and entitled "Systems and Methods for Money Fund Banking, with Flexible Interest Allocation," ("the '286 Patent"). A true and correct copy of the '286 Patent is attached hereto as Exhibit A.

### THE PARTIES

2. Island IP is a limited liability company, organized and existing under the laws of the State of Delaware. Island IP's principal place of business is located at 1250 Broadway, Thirty-Second Floor, New York, NY 10001, within this District.

3. LIDs Capital is a limited liability corporation, organized and existing under the laws of the State of Delaware. LIDs Capital's principal place of business is located at 1250 Broadway, Thirty-Second Floor, New York, NY 10001, within this District.

4. Double Rock is a corporation organized and existing under the laws of the State of New Jersey. Double Rock's principal place of business is located at 1250 Broadway, Thirty-Second Floor, New York, NY 10001, within this District. Double Rock is the prior owner of the '286 Patent.

5. Upon information and belief, Defendant Promontory Interfinancial Network, LLC is a limited liability company organized and existing under the laws of the State of Delaware with a place of business at 1515 North Courthouse Road, Suite 800, Arlington, VA 22201.

6. Upon information and belief, MBSC Securities Corporation is a corporation organized and existing under the laws of the State of New York, with a place of business at 200 Park Avenue, New York, NY 10166, within this district.

#### JURISDICTION AND VENUE

7. This is a civil action for patent infringement arising under the United States patent statutes, 35 U.S.C. § 1 *et seq.*

8. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §§ 1331 and 1338(a).

9. Upon information and belief, Defendant Promontory is subject to this Court's personal jurisdiction because it does substantial business in this judicial district, including: (i) offering and operating its banking services within this State and this District; and (ii) operating its infringing insured deposit program within this State and in this District.

10. Upon information and belief, Defendant MBSC is subject to this Court's personal jurisdiction because it, including by and through its division Dreyfus Investments, does substantial business in this judicial district, including: (i) offering and operating its banking services within this State and this District; and (ii) operating its infringing insured deposit program within this State and in this District.

11. Venue is proper in this judicial district under 28 U.S.C. §§ 1391(b)-(c) and 1400(b).

#### FACTUAL BACKGROUND

12. Double Rock is an industry leader in providing cash management and monetary regulation systems. The principals of Double Rock developed an innovative product known as

“insured deposits”, which provides financial service institutions with the ability to offer customers FDIC-insured, interest bearing demand accounts, with unlimited checking.

13. One improvement developed by the principals of Double Rock for the insured deposits product was the ability to provide financial service institutions with the ability to offer different interest rates to different customers, participating in the program, known as “tiered interest rates”.

#### THE PATENT-IN-SUIT

14. The ‘286 Patent claims a novel method of managing client funds by providing financial institutions the ability to provide client accounts with increased FDIC insurance and provide interest using tiered interest rates. The patented method also manages the accounts by aggregating the client accounts at each bank participating within the program.

15. Island IP, a wholly-owned subsidiary of Double Rock, is the owner of all rights, title and interest in the ‘286 Patent.

16. LIDs Capital, also a wholly-owned subsidiary of Double Rock, is the exclusive licensee of Island IP for the ‘286 Patent with respect to providing cash management services for broker dealers and asset managers.

17. Double Rock is a sublicensee of LIDs Capital for the ‘286 Patent with respect to providing cash management services for broker dealers and asset managers.

#### THE INFRINGING PRODUCTS

18. Upon information and belief, Defendant Promontory operates, within the United States, a money management program designated as the IND service, which allows broker-

dealers to offer a multi-bank, FDIC-insured deposit sweep product ("the IND Service"). The IND Service includes services designated as "IND for broker-dealers" and "IND for bankers."

19. Upon information and belief, Dreyfus Investments, a division of Defendant MBSC, within the United States, offers for sale a financial product using the IND for broker-dealers service of Defendant Promontory.

20. Upon information and belief, the computer systems used with the IND Services use the methods claimed in at least Claim 1 of the '286 Patent.

21. Defendants do not have a license or other authorization from Island to practice the claims set forth in the '286 Patent.

22. Defendants compete directly with the broker dealer insured deposit products offered by Double Rock and LIDs Capital.

#### COUNT ONE

##### (Patent Infringement by the Defendants)

23. The Island Plaintiffs incorporate by reference as if fully set forth herein the averments contained within the preceding Paragraphs.

24. Defendants have infringed at least Claim 1 of the '286 Patent, in violation of Title 35, United States Code section 271 through one or more of the following: (1) the manufacture, use, sale, and/or offer for sale of the invention claimed in the '286 Patent; (2) the active inducement of another to infringe the '286 Patent; and/or (3) contributing to the infringement by another of the '286 Patent.

25. Unless enjoined by this Court, Defendants will continue their acts of infringement causing substantial and irreparable harm to the Island Plaintiffs.



26. The Island Plaintiffs are suffering and will continue to suffer damages as the direct and proximate result of Defendants' infringement of the '286 Patent.

27. The Island Plaintiffs are suffering and will continue to suffer irreparable injury as the direct and proximate result of Defendants' infringement of the '286 Patent.

PRAYER FOR RELIEF

WHEREFORE, the Island Plaintiffs request judgment against Defendants as follows:

A. That Defendants Promontory and MBSC be held liable for infringement of at least Claim 1 of the '286 Patent.

B. That a permanent injunction issue against Defendants Promontory and MBSC, their officers, agents, servants, employees, attorneys, parent and subsidiary corporations, assigns and successors in interest, and those persons in active concert or participation with them, enjoining them from continued acts of infringement of the '286 Patent.

C. That the Court Order Defendants Promontory and MBSC to pay to the Island Plaintiffs damages adequate to compensate the Island Plaintiffs for the acts of infringement of Defendants Promontory and MBSC together with interest and costs, pursuant to 35 U.S.C. § 284.

D. That the Court award such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

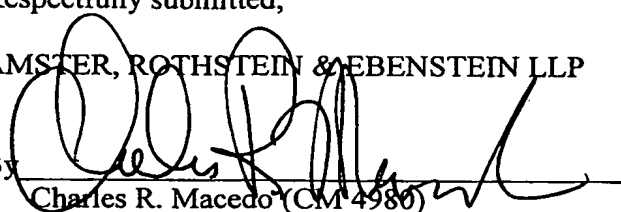
28. The Island Plaintiffs hereby request a trial by jury.

Respectfully submitted,

AMSTER, ROTHSTEIN & EBENSTEIN LLP

Dated: New York, New York  
March 24, 2009

By

  
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# Exhibit A



US007509286B1

(12) **United States Patent**  
**Bent et al.**

(10) **Patent No.:** **US 7,509,286 B1**  
(45) **Date of Patent:** **Mar. 24, 2009**

(54) **SYSTEMS AND METHODS FOR MONEY  
FUND BANKING WITH FLEXIBLE  
INTEREST ALLOCATION**

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(75) Inventors: **Bruce Bent**, New York, NY (US); **Bruce Bent, II**, New York, NY (US)

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(73) Assignee: **Reserve Management Corporation**,  
New York, NY (US)

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(Continued)

(\*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 1368 days.

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(Continued)

(21) Appl. No.: 10/411,650

(22) Filed: **Apr. 11, 2003**

Primary Examiner—Jagdish N Patel

(74) Attorney, Agent, or Firm—Foley & Lardner LLP

#### Related U.S. Application Data

(63) Continuation-in-part of application No. 10/382,946, filed on Mar. 6, 2003, and a continuation-in-part of application No. 10/071,053, filed on Feb. 8, 2002, and a continuation-in-part of application No. 09/677,535, filed on Oct. 2, 2000, which is a continuation-in-part of application No. 09/176,340, filed on Oct. 21, 1998, now Pat. No. 6,374,231.

(60) Provisional application No. 60/372,374, filed on Apr. 12, 2002.

(51) Int. Cl. **G06Q 40/00** (2006.01)

(52) U.S. Cl. 705/39; 705/35; 705/38

(58) Field of Classification Search 705/39, 705/35

See application file for complete search history.

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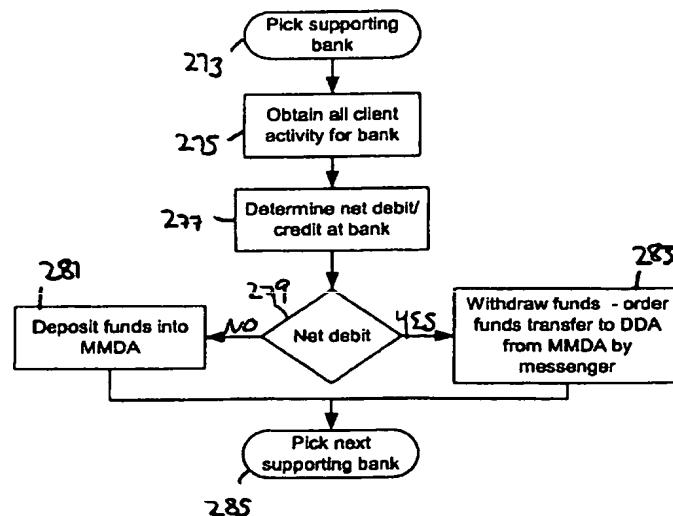
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(57) **ABSTRACT**

This invention provides system and methods for managing accounts of clients at customer financial entities so that deposits of up to \$100,000 or greater are insured, so that interest income earned on a portion of all of the account balances may be flexibly allocated according to customer instructions, and so that withdrawals are not limited. These objects are satisfied by holding client funds at interest-earning money market deposit accounts at one or more banks of savings institutions. More particularly, this invention provides methods for receiving client transaction information, determining a net transfer of funds into or out of each client account from transaction information, causing transfer of funds from the insured, interest-bearing deposit accounts to match the net transfer of funds into or out of each client account, and allocating interest earned by the deposit accounts to clients according to customer instructions. This invention also provides systems and software products implementing these methods.

**18 Claims, 5 Drawing Sheets**



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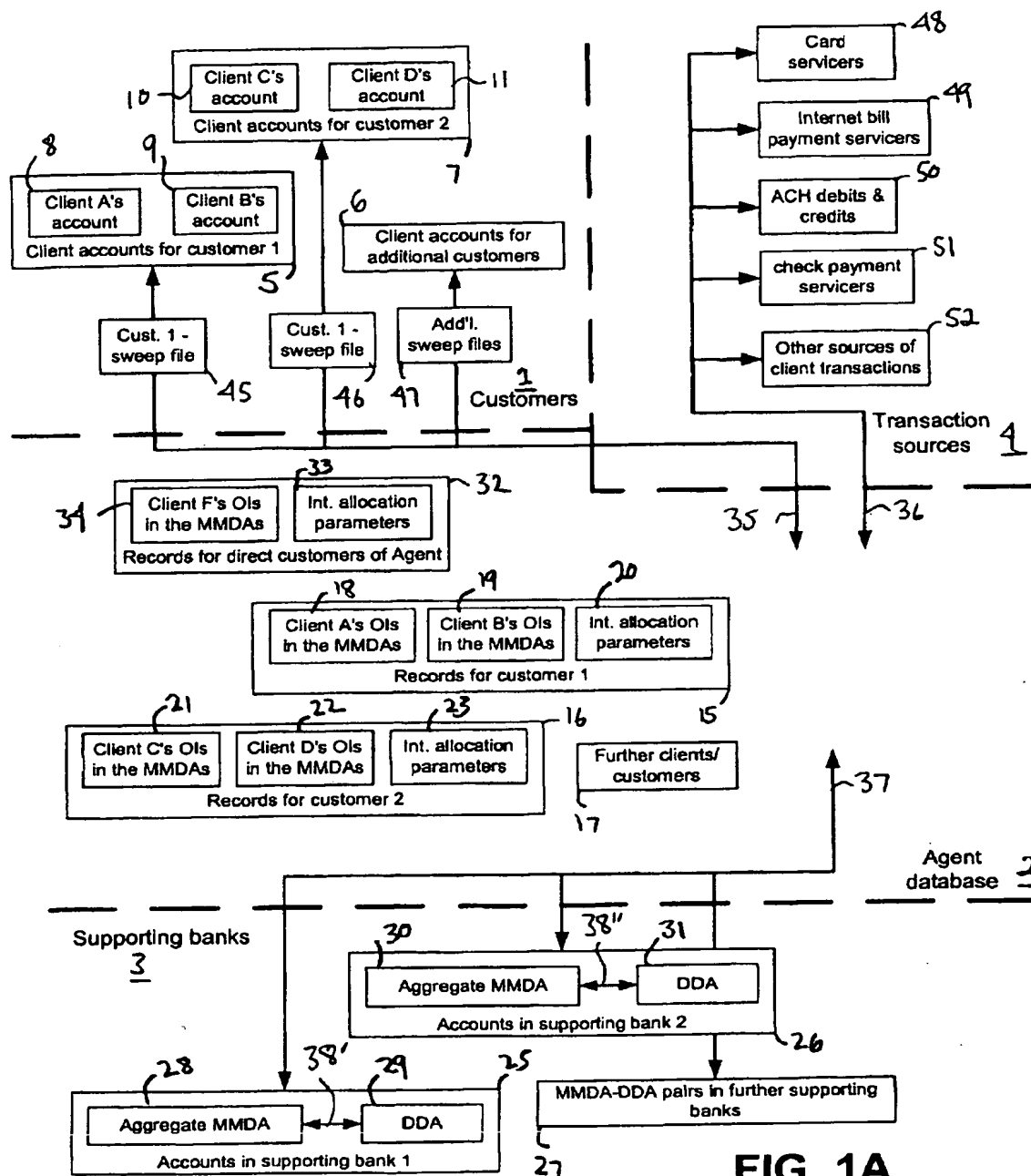
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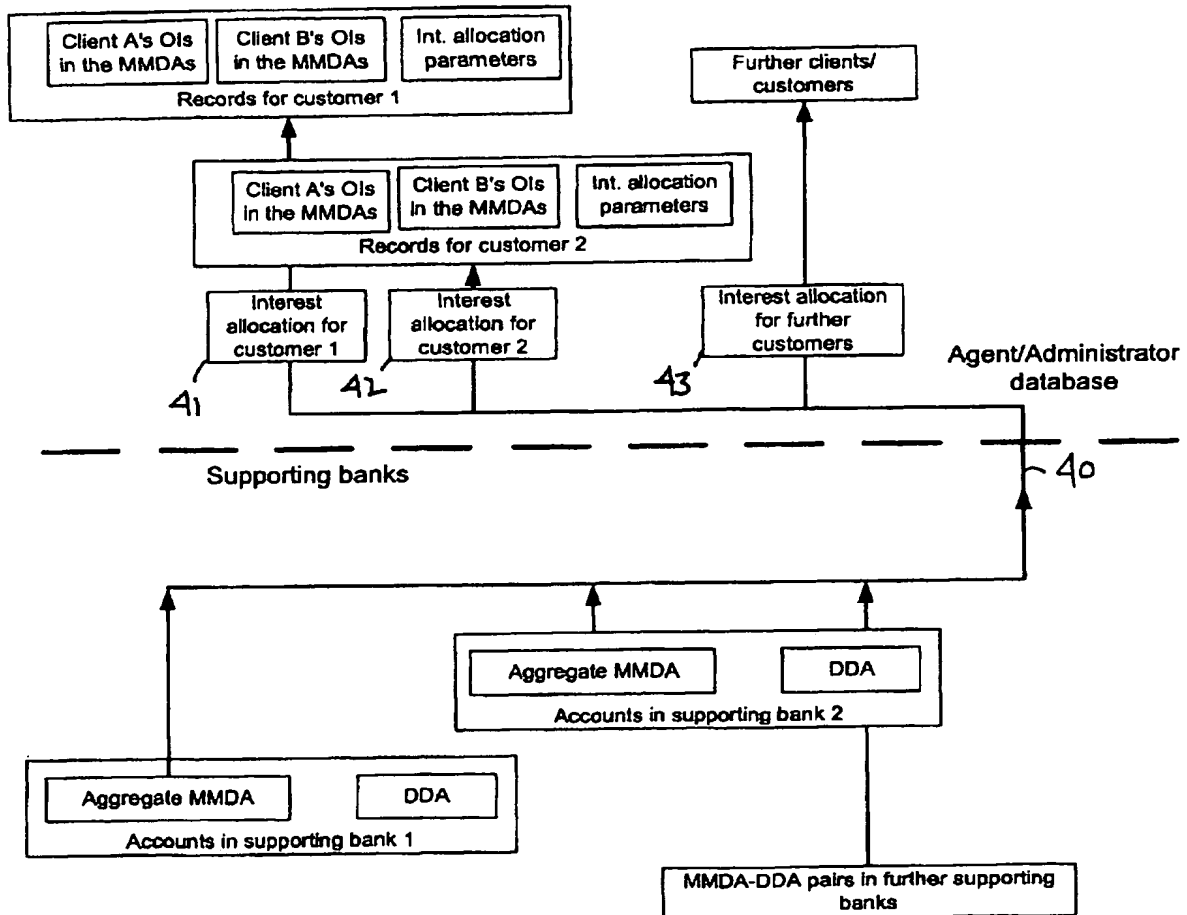
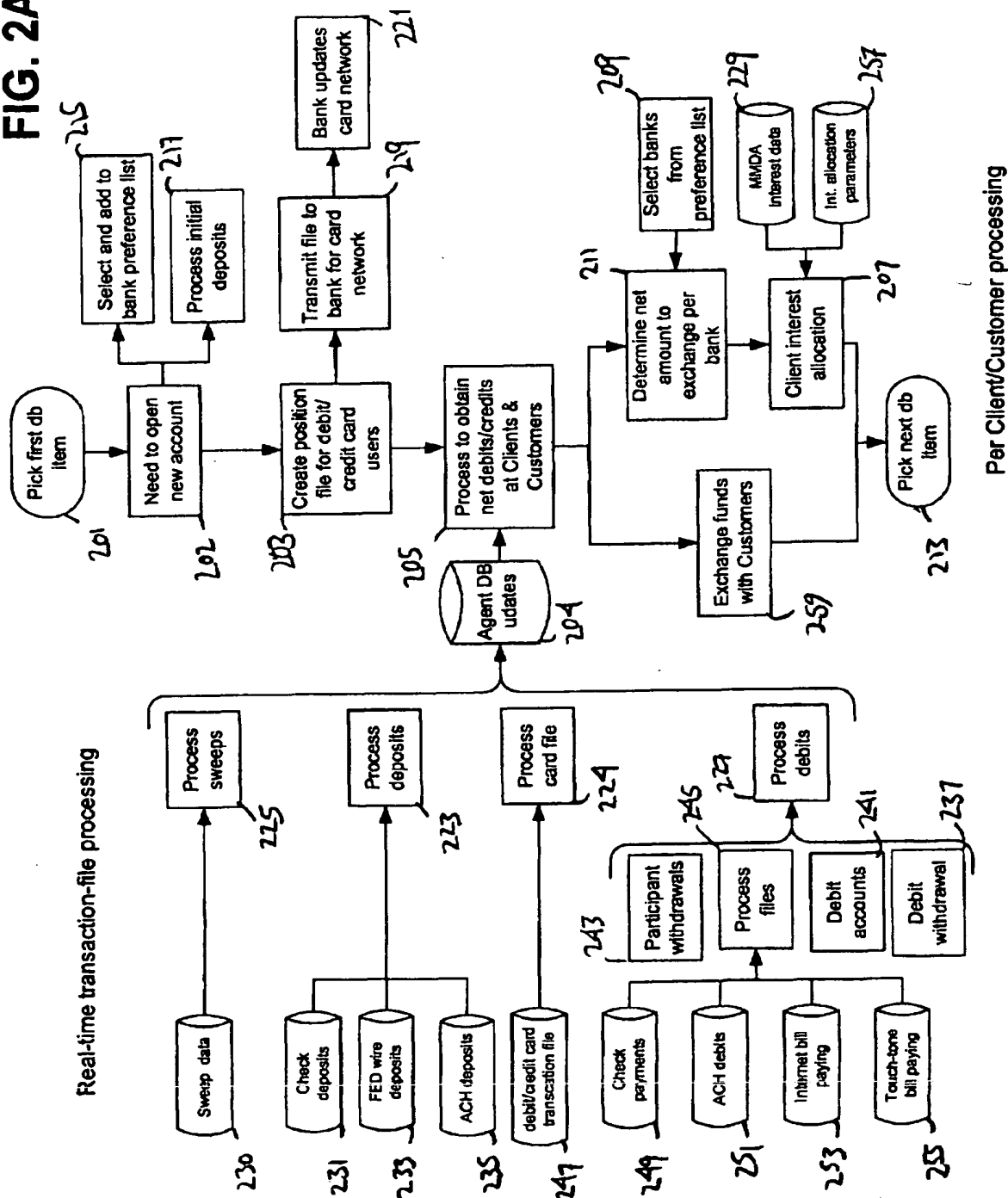
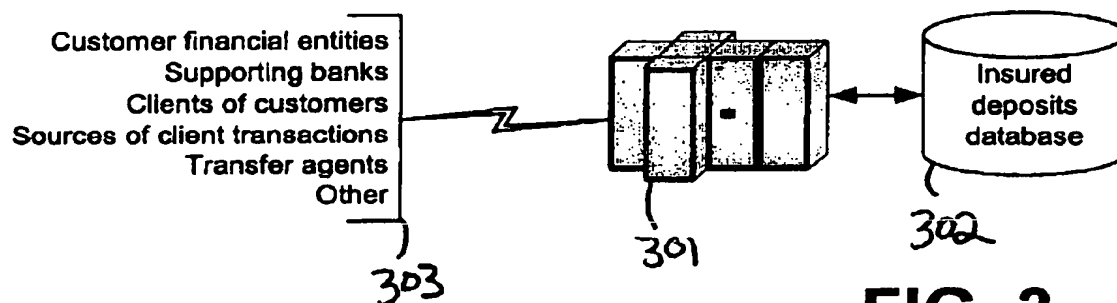
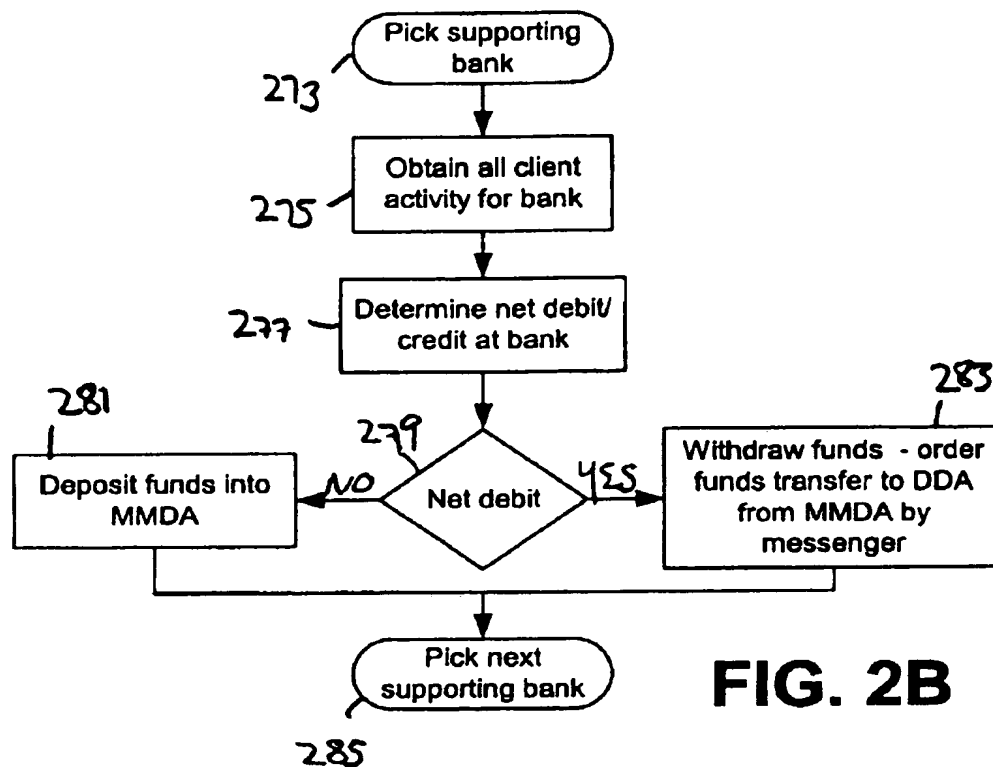
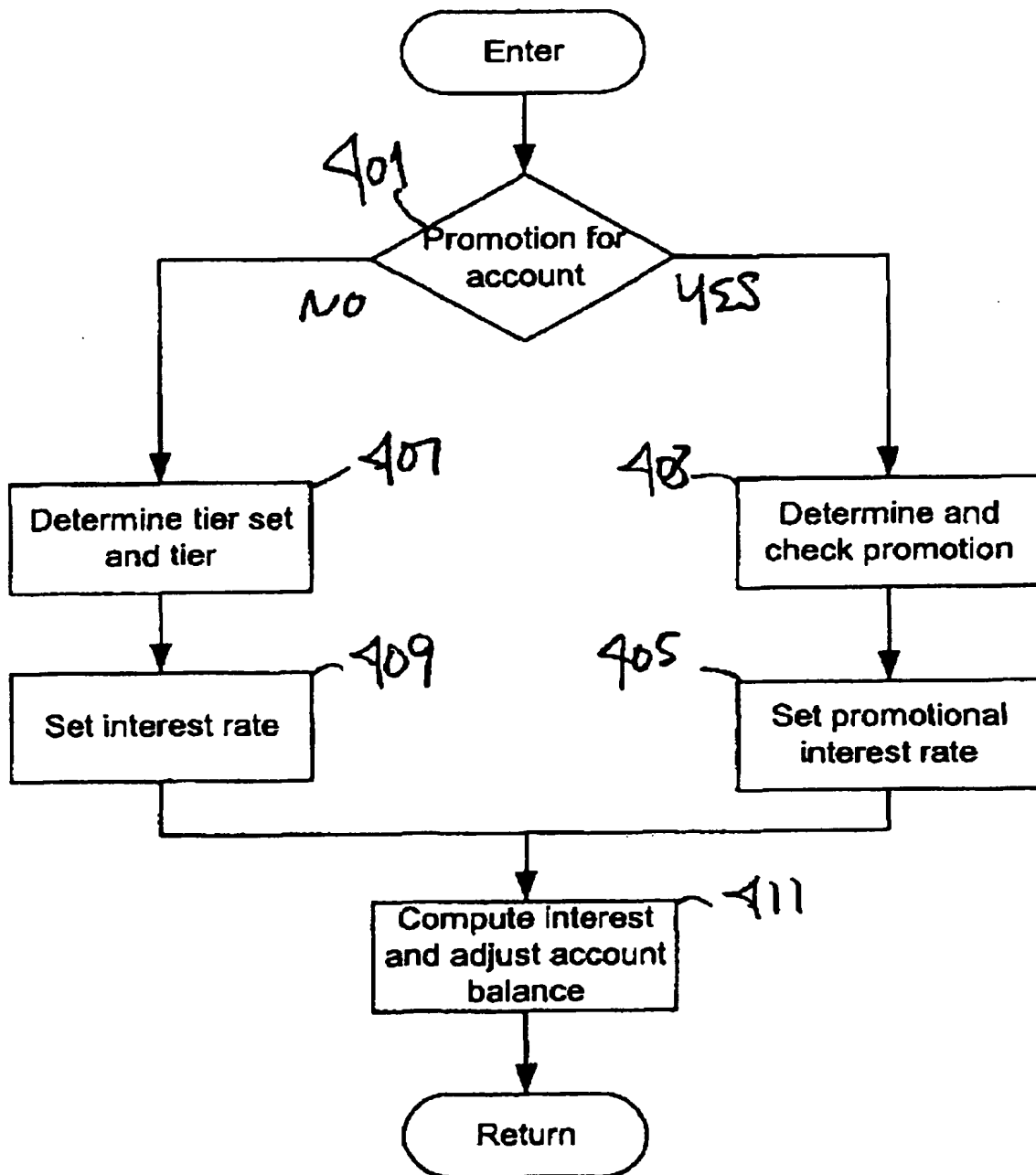


FIG. 1B

FIG. 2A





**FIG. 4**

# SYSTEMS AND METHODS FOR MONEY FUND BANKING WITH FLEXIBLE INTEREST ALLOCATION

## 1. RELATED APPLICATIONS

This application is a continuation-in-part of patent applications: Ser. No. 09/677,535, filed on Oct. 2, 2000, Ser. No. 10/071,053, filed Feb. 8, 2002, and Ser. No. 10/382,946 filed Mar. 6, 2003 entitled SYSTEMS AND METHODS FOR PROVIDING ENHANCED ACCOUNT MANAGEMENT SERVICE FOR MULTIPLE BANKS; all these applications are continuations-in-part of patent application Ser. No. 09/176,340, filed on Oct. 21, 1998, now U.S. Pat. No. 6,374,231. This application claims the priority of Ser. No. 09/677,535, filed on Oct. 2, 2000, Ser. No. 10/071,053, filed Feb. 8, 2002, Ser. No. 10/382,946 filed Mar. 6, 2003 and provisional patent application 60/372,374, filed Apr. 12, 2002.

## 2. BACKGROUND OF THE INVENTION

### 2.1. Field of the Invention

It would be desirable if depositors and investors could obtain FDIC insured, interest-bearing accounts with interest rates that can be flexibly assigned, with an unlimited number of fund transfers per month, and with insurance that may exceed \$100,000. However, account offerings in the United States ("US") are limited by statutes generally codified as Title 12 of the United States Code ("U.S.C.") (Banks and Banking). These statutes and accompanying regulatory scheme limit investors and depositors seeking investments and deposits having a lower risk profile to a rather limited selection of choices, all of which suffer inhibiting constraints.

### 2.2. Background Art

More specifically, 12 CFR 329.2 states that "no bank shall, directly or indirectly, by any device whatsoever, pay interest on any demand deposit." A "deposit" is any money placed into a checking account, savings account, Certificate of Deposit (CD), or the like. In a "demand" account, the owner can make an unlimited number of funds transfers to another account (having the same or a different owner), or to a third party, typically by bank drafts, checks, credit cards, and debit cards. In essence, an account in which a depositor has the ability to make at least six transfers will be deemed a demand account and no interest will be payable on the funds therein (unless the funds are held in a NOW account under 18 U.S.C.1832(a)). Therefore, owners of demand accounts are denied interest on their funds.

The rules governing insurance of deposits in institutions insured by the BIF and the SAIF are the same. In particular, according to 12 U.S.C. § 1821(a), the FDIC limits insurance coverage provided to the owners(s) of funds deposited in each insured institution to \$100,000, and bases insurance coverage on the concept of ownership rights and capacities, that is, funds held in different ownership categories are insured separately from each other, and funds owned by the same entity but held in different accounts at the same financial entity are subsumed under the same insurance coverage.

One or more of these objects are satisfied by systems and methods structured according to a novel and creative combination of certain of financial-entity and bank regulations first noticed and assembled by the inventors. First, although accounts that require withdrawal notice are not demand accounts and therefore may earn interest, certain accounts not requiring withdrawal notice may still be deemed "savings accounts" and capable of earning interest. For example, an account that does not require withdrawal notice (but may so

require at any time) is nevertheless a savings account if no more than six transfers and withdrawals are made monthly. In particular, 12 C.F.R. § 204.2(d)(1) (underlining added) states:

Therefore, the inventors have conceived and implemented arrangements whereby a single corporation, partnership, or other legal person (generally, "entity") acts as an agent of numerous individuals or other ownership interests (for example, joint ownership, ownership in trust (such as individual retirement accounts, and other legally established savings mechanisms), and so forth) to manage the funds of each ownership interest in the aggregate MMDAs in one or more Supporting financial entities so that each ownership interest's funds earn interest while remaining FDIC insured with insurance up to \$100,000 per each participating Supporting banking financial entity. Further, each Supporting financial entity, such as a bank or a saving institution, holds a single MMDA that is paired with a single corresponding DDA in the same name so that each ownership interest's use of managed funds is not limited.

To accomplish these and other objectives, this invention provides systems and methods for managing a plurality of Clients of one or more Customer financial entities by administering at one or more Supporting financial entities, such as banking or savings institutions, an FDIC-insured MMDA (money market deposit account) maintained at each participating Supporting financial entity in which are held some or all of the funds in the managed Client accounts, and for managing an Agent database recording the financial information describing the managed Client balances, Client information for each Client's account, Customer information for each Customer financial entity, financial information describing each aggregate MMDA held at a Supporting financial entity, and information for each Supporting financial entity. Where Client funds are held across more than one MMDA, the funds may be insured to more than \$100,000. For example, if they are held in two (or three, or four) MMDAs (each MMDA held in a different Supporting financial entity), then insurance may be \$200,000 (or \$300,000, or \$400,000).

In certain embodiments, where the Agent has a single MMDA-DDA pair in which all Agent-managed Client funds are held, Client liability insurance is limited to \$100,000. In other embodiments, where it is preferable to provide Clients with more than \$100,000 of insurance, the Agent has two or more MMDA-DDA pairs, each pair in a different Supporting financial entity, and it manages Client funds so that each Client's ownership interest at any one Supporting financial entity never exceeds \$100,000. For example, when a Client's balance exceeds \$90,000 (or some other operational threshold not greater than \$100,000) in the aggregate MMDA at a particular Supporting financial entity, excess funds are automatically moved to a MMDA at a second Supporting financial entity. Although, Client funds may be from time-to-time be deposited at several Supporting financial entity, the accounting for these funds is preferably consolidated so that the multiple MMDAs are transparent to the investor. All Client funds exchanges and transactions may then post to a single Client account on the Agent database although the balances in this account may spread across multiple MMDAs held at multiple Supporting financial entities (represented as sub-accounts of the single Client account).

In a preferred embodiment, the functional relationship determining interest rate (for a particular Customer financial entity) is implemented largely with one or more interest rate tables. An interest rate table is known herein as a "tier set," which has one or more rows, known as "tiers." Each tier, or row, specifies at least a range for a selected, primary account characteristic along with the interest rate to be assigned to

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accounts when their selected characteristic is in the specified range. For example, where the selected characteristic is account balance, a tier set preferably includes tiers such that whatever its balance an account is assigned some interest rate (almost always, the higher the balance, the higher the assigned interest rate). One of skill in the art will appreciate that a selected functional relationship of account characteristics to interest rate may be implemented by a many tier sets. Because the relation between interest rate determination and tier sets is not unique, what is fundamental is the functional relation determining interest rate; a particular tier set is simply one expression of the fundamental functional relation specified by the Customer financial entity.

In one aspect of this embodiment, the Agent provides interest rates that vary as the amount of managed balances vary, generally the higher the balance, the higher the interest rate. The Agent database stores sets of tables referred to as "tier sets," each table returns interest rates (or a relative interest rate) as a function of the managed balance in a Client's account. During the process of interest allocation for a Client account, the Agent retrieves the tier set for a particular Client account, and applies the correct tier to the managed account balance to return an interest rate according to which the interest income is credited to the Client's account balance. The tier set for a particular Client account may be chosen according to information and flags stored as part of the Client information on the Agent database. The tier sets, tiers, and information for selecting tier sets and tiers may be provided by the Customer financial entity.

In a concrete preferred embodiment, a Customer financial entity, such as a broker/dealer, an investment advisor, a credit union, or other financial entity, may wish to pay higher interest rates to accounts with larger balances because they are usually more profitable than accounts with smaller balances, and may also wish to run interest rate promotions from time-to-time. Accordingly, this Customer financial entity may specify a tier set with a base tier set applicable to all its Clients in the absence of further indication in the account. Typically, a base tier set leads to the same interest rate for all account balances (for example, by having a single tier). The tier set would also have a standard tier set (or more than one) leading to increasing interest rates with increasing balances. Finally, there would be one or more promotional tier sets that determines the promotional interest rates. The promotion tier set may also include time information. For example, all Client accounts opened from April 1<sup>st</sup> through June 30<sup>th</sup> earn 5%, but after June 30<sup>th</sup> all accounts in the tier group will default to a tier set that determines interest rates based on the balance in the account. Alternatively, the promotional tier set may specify that each account has an individual promotional period. For example, an account may earn a promotional rate for the first 60 days after it is opened at the Customer financial entity. On the 61<sup>st</sup> day, the account will default to a standard.

As illustrated, the Agent is generally central in these information and funds exchanges, receiving and processing transaction data and then causing necessary funds transfers.

The Agent database also preferably additionally stores records describing and representing the Customer financial entities, such as records 15 and 16. These stored records represent at least Customer financial entity identification and such other information as the Agent needs to manage the Customer financial entity's Clients, including importantly parameters provided by the Customer financial entity to guide interest allocation. Thus the records describing Customer financial entity 1, records 15, include its interest allocation parameters and instructions 20, and those for Customer financial entity 20, records 16, include its interest allocation

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instructions 23. Where interest is allocated according to tier sets and tiers, the interest allocation records described the Customer-financial-entity-defined balance balance-tiers and associated interest rate, both of which may be changed by the Customer financial entity from time-to-time. Although FIG. 1A illustrates all the records for the individual Customer financial entities being grouped together, actual implementation of the Agent database may organize and physically store records in any manner convenient.

### 3. SUMMARY OF THE INVENTION

#### 3.1 Objects of the Invention

To meet statutory and regulatory requirements, the Agent provides Clients through the Customer financial entities with information describing their accounts and their transactions held on the Agent's database. The Customer financial entity may decide to incorporate this account information into their statements to the client, or to have the Agent produce a separate statement. Thus, all activity sweeps, checks written debit/credit card transactions, and so forth appear in the account in the Clients' accounts as well as in the sub-accounts for the Clients when more than one supporting financial entity is used to provide FDIC insurance over \$100,000. Although detail of these sub-accounts may or may not be reported to the client (at the option of the Customer financial entity), the Agent preferably provides the Clients at least with the balances held in each pooled MMDA at each Supporting financial entity.

Next, Client funds for which the Agent is responsible are managed at one or more Supporting banks (financial entities) 25, 26, and 27 in a manner to both qualify for FDIC insurance, limited to \$100,000 per individual beneficial interest per Supporting financial entity, to earn interest, and to permit unlimited withdrawals. To satisfy regulatory requirements, each Supporting financial entity holds a pair of accounts, one account being an interest bearing money market deposit account (MMDA) in which all Client funds are deposited, and the other account being a demand deposit account (DDA) registered in the identical name as the first account (ex., "Administrator as agent for Clients"). For funds transfers from Supporting financial entities, the Agent, first, provides instructions to a messenger who personally requests the withdrawal from the MMDA to the associated DDA in a Supporting financial entity. Funds may be then wired from the DDA out of the Supporting financial entity by the Agent to cover client withdrawals from various sources. Transfer into the pooled MMDA may be direct or through the pooled DDA as dictated by operational convenience. As illustrated, Supporting bank 25 has linked MMDA 28 and DDA 29 between which the Agent exchanges funds 38'. Similarly, the Agent exchanges funds 38" between MMDA 30 and DDA 31 in Supporting bank 26.

Another important source of transactions are sweep transactions received in sweep file forwarded from the Customer financial entities. Where Client transactions made at a Customer financial entity in a certain period generate net credits, the Customer financial entity may sweep excess Client funds to the Agent. In case of the converse, where Client transactions generate net debits at the Customer financial entity, this entity may request funds from the Agent to cover such debits. Alternately, funds may be swept to or from the Agent when funds in Client accounts at Customer financial entities exceed or fall below, respectively, a desired or target minimum balance, which may be the same for all the Customer financial entity's clients, or may vary among the Clients. Sweep files

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may optionally also provide summary or detailed information on the subject Client transactions. The Agent also processes sweep files in real-time to update the net credits and debits and for each Customer financial entity (for each Client if the sweep file contains the necessary information).

Concerning sweep file 230 and its processing at 225, data in the sweep files result from a Customer financial entity's processing of Client debit and Client credit transactions received against this account in most recent complete period. For example, a Customer financial entity processes all Client transactions for the previous, ex., twenty-four hour period to generate the sweep file made available in the current twenty-four hour period. For broker/dealers, for example, these transactions would typically result from Client securities purchases or sales. This file is processed at 225 by the Agent to store the data by Client and Customer financial entity, to accumulate net debits or net credits by Client and Customer financial entity.

Interest earned by the MMDA accounts 229 is a further source of funds for Client accounts. This Interest accrues daily and is posted monthly in the MMDA at the Supporting financial entities and then in the Clients accounts. Interest allocation is performed as previously described in dependence on interest allocation parameters 257 usually supplied from time-to-time by the Customer financial entities.

The above account management processing, including interest allocation, is performed on Agent computer systems programmed to carry out the above methods. FIG. 3 illustrates exemplary systems that are configured from standard commercial-grade components, for example, mainframe-type system 301 coupled to data storage 302 for the Agent databases, here illustrated as the "insured deposits database." A typical processor may be from IBM using an OS/390 or MVS/ESA operating system or the equivalent; a typical database system may be DB2 from IBM or the equivalent, such as products from Oracle Corp.

The above-described elements of this invention relationships may be "packaged" variously to meet the needs of various Customer financial entities. In one embodiment, one Customer financial entity is linked to one Supporting financial entity, so that client accounts may be provided with up to \$100,000 of FDIC insurance along with interest and unlimited withdrawals. In a second embodiment, one Customer financial entity is linked to more than one independent, Supporting financial entity so that its clients may receive more than \$100,000 of FDIC insurance.

In a third embodiment, a Customer financial entity which is a bank or savings institution may wish to retain all Client funds on its own books so that they may be available for its normal financial activities. This is accommodated by having the Agent managed MMDA-DDA pair (or pairs) be held at the Customer financial entity. Otherwise, the Agent systems and methods are as described above. In this embodiment, Client insurance is limited to \$100,000. In such an embodiment, the ownership interests managed by the Agent and recorded on its database may be advantageously realized as separate Client accounts at the Customer financial entity (referred to as a "return sweep account"). Then, a Client will have two accounts, one on the books of the Customer financial entity, for example, a Client demand deposit account, and a second account held on the books of the Agent, a return sweep account. The Agent then manages fund exchanges between

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these accounts so that the funds of all Client return sweep accounts are held in the managed MMDA-DDA pairs.

### 3.2 Regulatory Environment of the Invention

These prior-art problems are satisfied by systems and methods structured according to a novel and creative combination of certain of financial-entity and bank regulations first noticed and assembled by the inventors. First, although accounts that require withdrawal notice are not demand accounts and therefore may earn interest, certain accounts not requiring withdrawal notice may still be deemed "savings accounts" and capable of earning interest. For example, an account that does not require withdrawal notice (but may so require at any time) is nevertheless a savings account if no more than six transfers and withdrawals are made monthly. In particular, 12 C.F.R. § 204.2(d)(1) (underlining added) states:

The term savings deposit also means: A deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or as a money market deposit account (MMDA) . . . from which . . . the depositor is permitted or authorized to make no more than six transfers and withdrawals . . . per calendar month or statement cycle . . . to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction, and no more than three of the six such transfers may be made by check, draft, debit card, or similar order made by the depositor and payable to third parties.

However, the precise types of the transfer or withdrawal transaction are critical. An unlimited number of deposits into a savings account is always allowed, and an unlimited number of withdrawals is also allowed if they are of certain limited types. Importantly, 12 C.F.R. § 204.2(d)(2) (emphasis added) states:

Such an account is not a transaction account by virtue of an arrangement . . . that permits transfers of funds from this account to another account of the same depositor at the same institution . . . when such transfers or withdrawals are made by mail, messenger, automated teller machine, or in person . . .

Taken together, therefore, an unlimited number of transfers may be made between a deposit account, that is interest-earning, and a transaction account, that permits an unlimited number of withdrawals of any type, if both accounts are in the same institution, if both accounts are in the same name, and if the transfers are made by messenger. These transfers may be into or out of the interest-earning account, which in the following will be generally be referred to as a money market deposit account ("MMDA")

Second, the \$100,000 liability limitation on FDIC insurance is not determined on a per-account basis, but instead on a per-insured-institution basis, and moreover, applies to all the beneficial ownership interests that a particular ownership category (for example, a particular individual) has in the insured institution, however the accounts or instruments in which these interests are held are actually denominated. Specifically, 12 U.S.C. § 1821(a)(1)(C) states the following (emphasis added):

For the purpose of determining the net amount due to any depositor under subparagraph (B), the [FDIC] shall aggregate the amounts of all deposits in the insured depository institution which are maintained by a depositor in the same capacity and the same right for the benefit

of the depositor either in the name of the depositor or in the name of any other person.

Without affecting the FDIC liability limit, ownership interests of a particular ownership category may be spread in several accounts or CDs in a single bank or may be held in a single third-party-managed account along with the funds of other ownership interests.

Therefore, the inventors have conceived and implemented arrangements whereby a single corporation, partnership, or other legal person (generally, "entity") acts as an agent of numerous individuals or other ownership interests (for example, joint ownership, ownership in trust (such as individual retirement accounts, and other legally established savings mechanisms), and so forth) to manage the funds of each ownership interest in the aggregate MMDAs in one or more Supporting financial entities so that each ownership interest's funds are earn interest while remaining FDIC insured with insurance up to \$100,000 per each participating Supporting banking financial entity. Further, each Supporting financial entity, such as a bank or a saving institution, holds a single MMDA that is paired with a single corresponding DDA in the same name so that each ownership interest's use of managed funds is not limited.

A major advantage of the inventors' combination is that funds can be managed for any type of client (for example, individual, business entity, governmental entity), because there are no limitations on the type of depositor in a MMDA. Already known account management methods, require an individual account for each participating client resulting in hundreds (or even thousands) of separate accounts at supporting financial entities. Further, where these are NOW accounts, the type of client is limited by Federal banking law.

Further, since many such ownership interests hold their funds in broker/dealers, savings institutions, credit unions, or other financial entities, it is preferable that the agent entity interface to these funds-holding financial entities, and act as their agent where necessary, for the movement of managed funds between these institutions and the managed MMDA-DDA pairs. Additionally, the agency role of the agent entity also extends to a record-keeper function to a greater or lesser degree depending on the Customer financial entity. The Agent then also receives and processes account transaction information generated by all manner of financial instruments and payment vehicles, as well as simply managing the above funds transfers.

The processing for carrying out such funds management as well as any record-keeping functions is implemented by the systems and methods described in the following, where the following terms are used with the indicated meanings:

"Agent", or "Administrator/agent", or "Administrator": collectively refer to the agent entity having an agency (or trustee, or contractual, or other legal) relationship with the individual ownership interests for which it manages funds and (optionally) with the financial institutions or entities where these funds are held.

"Customer financial entity" or "Customer": collectively refer to these financial institutions or financial entities (such as broker/dealers, Investment Advisors, savings institutions, credit unions, and the like) whose client have ownership interests in the one or more deposit accounts managed by the Agents.

"Client of a Customer financial entity" or "Client": collectively refer to the ownership interests that have deposited agent-managed funds at Customer financial entities; the types of Client deposits may be, for example, individual accounts, joint accounts, trust accounts, profit or non-profit

corporations, limited liability corporations, partnerships or other forms of business entities, government agencies, municipalities, ERISA accounts, non-US accounts, and the like.

"Client account": refers to the accounts in the Customer financial entities where Clients hold the funds that are managed by Agent.

"Supporting financial entity": refers to those financial entities, preferably such as banks and savings institutions, where the MMDA-DDA pairs are held by the Agent, with the MMDA being interest earning and FDIC insured (If Supporting financial entities are referred to in the following as Supporting banks, no limitations is intended.)

These terms refer to roles, and the use of different names does not imply that separate roles must be played by separate entities. For example, in certain embodiments, the Customer financial entity may be its own Supporting financial entity, or may be commonly controlled with its Supporting financial entity. In certain embodiments, the Agent itself may accept funds from its own Clients, and thus also have the role of a Customer, or the Agent may be commonly controlled with a financial entity that accepts funds and has a Customer role.

### 3.3 Systems and Methods of the Inventions

To accomplish these and other objectives, this invention provides systems and methods for managing a plurality of Clients of one or more Customer financial entities by administering at one or more Supporting financial entities, such as banking or savings institutions, an FDIC-insured MMDA (money market deposit account) maintained at each participating Supporting financial entity in which are held some of all of the funds in the managed Client accounts, and for managing an Agent database recording the financial information describing the managed Client balances, Client information for each Client's account, Customer information for each Customer financial entity, financial information describing each aggregate MMDA held at a Supporting financial entity, and information for each Supporting financial entity. Where Client funds are held across more than one MMDA, the funds may be insured to more than \$100,000. For example, if they are held in two (or three, or four) MMDAs (each MMDA held in a different Supporting financial entity), then insurance may be \$200,000 (or \$300,000, or \$400,000).

The Agent also acts as a record keeper for Customer financial entities by directly processing Client deposit and withdrawal transactions in each managed Client account. Processed transactions may be received directly from a wide array of sources (transaction sources). For example, for Client accounts, deposits may be received by means of various electronic and hand delivery systems, and payments may be tendered by means of various financial instruments and payment vehicles, all without limitation as to the number of transfers while interest is earned on the managed, insured Client funds. Optionally, the debiting of funds from each of the client accounts may be monitored, and debits may be authorized or rejected based upon the Client's account balance. In this embodiment, the Agent also maintains on its database records of processed Client transactions (Client deposit and withdrawal transactions), as well as financial information describing the funds managed for each Client and deposited in a MMDA at various Supporting financial entities.

In more detail, the Agent manages in each Supporting financial entity (bank or saving institution) an aggregate money market deposit account (MMDA) and an aggregate demand deposit account (DDA), both being in the identical



name of the agent for its principals (referred to herein as an "MMDA-DDA pair"). In response to Client deposit and withdrawal transactions stored on the Agent's database, the Agent initiates transfers of funds between the MMDA-DDA pairs, so that if the aggregate deposits of all Clients exceed the aggregate client withdrawals (net Client credit), then all or some of the funds are deposited in the MMDA at the Supporting financial entity, and conversely if client withdrawals exceed client deposits (net Client debit) the Supporting financial entity will be instructed by messenger to transfer funds from the aggregate MMDA to the DDA.

The MMDAs are interest-bearing, insured deposit accounts, collectively in which the managed balances for all Clients of the Agent are deposited. The DDAs, which are deposit accounts permitting an unlimited number of deposits and withdrawals, serve to facilitate the exchange of funds between the MMDAs, the Customer financial entities, and sources of Client transactions (referred to herein as "transaction sources"). If the Agent determines that it is necessary to move funds from a particular MMDA (at a particular Supporting financial entity or bank), it first causes a messenger to have these funds transferred from the MMDA to the DDA member of the MMDA-DDA pair, and second, causes the funds in the DDA to be moved to the Agent's own account or accounts. Then, from the Agent's own accounts, funds may be further transferred to a 3<sup>rd</sup> party, such as a transaction source or a Customer financial entity (preferably by electronic or other automatic means). If funds are to be moved into a particular MMDA, the Agent either may have them deposited into the associated DDA and then moved into the MMDA, or may have them deposited directly into the MMDA. The Agent database is updated to reflect these funds transfers.

In certain embodiments, where the Agent has a single MMDA-DDA pair in which all Agent-managed Client funds are held, Client liability insurance is limited to \$100,000. In other embodiments, where it is preferable to provide Clients with more than \$100,000 of insurance, the Agent has two or more MMDA-DDA pairs, each pair in a different Supporting financial entity, and it manages Client funds so that each Client's ownership interest at any one Supporting financial entity never exceeds \$100,000. For example, when a Client's balance exceeds \$90,000 (or some other operational threshold not greater than \$100,000) in the aggregate MMDA at a particular Supporting financial entity, excess funds are automatically moved to a MMDA at a second Supporting financial entity. Although, Client funds may be from time-to-time be deposited at several Supporting financial entity, the accounting for this funds is preferably consolidated so that the multiple MMDAs are transparent to the investor. All Client funds exchanges and transactions may then post to a single Client account on the Agent database although the balances in this account may spread across multiple MMDAs held at multiple Supporting financial entities (represented as sub-accounts of the single Client account).

The agent also maintains sub-accounts which are attached to the client account on the Agent's database. Each sub-account represents the Client's ownership in the MMDA at the Supporting financial entities. Alternatively, the Agent may generate statements and reports for the Client showing the sub-accounts where the Client's funds are actually held and in which Supporting financial entity individual transactions occurred.

At the time a Client commences using Agent services (or, alternatively, opens a managed account with the Agent associated with an account at a Customer financial entity), the Client is given the option to choose a preferred Supporting financial entity, to choose a list of preferred Supporting finan-

cial entities in a desired (or random) order of preference, to exclude one or more Supporting financial entities, and the like. The Client may also select the order of preference for deposits and withdrawals. The Agent will then exchange funds with aggregate MMDAs on the Client's behalf, each at a different Supporting financial entity, according to the Client-supplied preferences. In the event that the Client does not supply preferences for the Supporting financial entities, the Agent may automatically designate a list of preferred Supporting financial entities (for example, as a default). Preferences for Supporting financial entities are preferably stored in the Agent database in association with Client's account information, and will be retrieved to determine which Supporting financial entity should accept or provide funds for each net Client credit or debit. Note, that the Agent automatically groups together transactions for each Supporting financial entity, and at the end of the business day, the funds are transferred either to the MMDAs or from the MMDAs via the DDA at the various Supporting financial entities. The transfer to or from the MMDA is the net transaction for all activity that occurred that day.

For example, a Client may open an Agent-managed account with \$170,000, and may also indicate that these funds should be held in Supporting financial entity A and Supporting financial entity C with Supporting financial entity C preferred. Then \$90,000 (or some other threshold) would be deposited into Supporting financial entity C and \$80,000 into Supporting financial entity A. If a check were written or if the Client investor chose to redeem funds directly, the withdrawals would be made first from Supporting financial entity A. Withdrawals would not be made from Supporting financial entity C until all funds had been redeemed from Supporting financial entity A. Similarly, if the Client chose Supporting financial entity C as preferred, and chose to exclude Supporting financial entity B, then \$90,000 would be deposited into Supporting financial entity C and \$80,000 into Supporting financial entity A.

Because the systems and methods of this invention seek to minimize risk as much as possible for its Clients and Customer financial entities, the Agent may choose a deposit cap for each of the multiple Supporting entities. For example, it is preferred that the Agent's total deposits at a Supporting financial entity are preferably no more than 10% of the total deposits at the Supporting financial entity (less preferably, no more than 20%; and much less preferably, no more than 30%). For example, if the total deposits at a particular Supporting financial entity are \$1,000,000,000, then the Agent's total deposits at that entity are preferably no more than 10% of this amount or \$100,000,000 (less preferably, no more than \$200,000,000; and much less preferably, no more than \$300,000,000).

The Client may also choose a deposit cap for each of the multiple Supporting financial entities selected, or can specify deposit caps for default Supporting financial entities chosen by the Agent. Of course, the Client may also specify that all funds be held in a single Supporting financial entity, even if the amount exceeds \$100,000 (insurance being limited to \$100,000 in this case). The Agent may generate statements and reports for the Client either showing only all of the managed assets and transactions as a single account, or also showing the sub-accounts where the Client's funds are held and in which Supporting financial entity transactions occurred.

In these embodiments, therefore, a Clients may earn interest on balances being managed by the Agent. These managed

funds will be FDIC insured up to \$100,000 per Supporting financial entity and with no withdrawal limits.

### 3.4 Flexible Interest Allocation

Importantly, the Agent provides the ability to flexibly allocate interest income earned by the MMDAs to each Client in a manner specified by the Customer financial entities. Generally, the Agent distributes all the interest or a portion of the interest (the remainder being applied to Agent fees) accrued by the MMDAs to individual Clients having ownership interests in the MMDAs by allocating this interest to the Agent-managed balances of these Clients. Although interest may be distributed by default in proportion to each Client's ownership interest in the MMDAs, it is more preferably for the Agent to distribute the interest as specified by the Customer financial entities. For example, each Customer financial entity may specify methods of interest allocation for its own Clients. This feature allows a Customer financial entity to relatively reward or penalize certain types of accounts in accordance with that Customer financial entity's management or marketing objectives.

Generally, a Customer financial entity specifies interest allocation methods to the Agent by providing parameters that determine a functional relationship between one or more characteristics of a Client account and an interest rate used to compute interest income on the Client's balances. Interest rate may depend on a wide variety of Client-account characteristics, such as, for example, Agent-managed balances, total Client balances at the Customer financial institution, date the Client account was opened, duration the Client has transacted business with the Customer financial entity, address of the Client account, Customer policies and promotions, and so forth. The actual functional relationship between interest rate and such Client characteristics, its parameterization, and its implementation in the Agent systems and methods may be virtually limitless. However, since the variable interest allocation is generally intended to motivate desirable Client behavior measured by one or a few key account characteristics, the interest rate will usually increase (or decrease) monotonically in dependence on the few key characteristics.

In a preferred embodiment, the functional relationship determining interest rate (for a particular Customer financial entity) is implemented largely with one or more interest rate tables. An interest rate table is known herein as a "tier set", which has one or more rows, known as "tiers". Each tier, or row, specifies at least a range for a selected, primary account characteristic along with the interest rate to be assigned to accounts when their selected characteristic in the specified range. For example, where the selected characteristic is account balance, a tier set preferably includes tiers such that whatever its balance an account is assigned some interest rate (almost always, the higher the balance, the higher the assigned interest rate). One of skill in the art will appreciate that a selected functional relationship of account characteristics to interest rate may be implemented by a many tier sets. Because the relation between interest rate determination and tier sets is not unique, what is fundamental is the functional relation determining interest rate; a particular tier set is simply one expression of the fundamental functional relation specified by the Customer financial entity.

In one aspect of this embodiment, the Agent provides interest rates that vary as the amount of managed balances vary, generally the higher the balance, the higher the interest rate. The Agent database stores sets of tables referred to as "tier sets", each table returns interest rates (or a relative interest rate) as a function of the managed balance in a Client's

account. During the process of interest allocation for a Client account, the Agent retrieves the tier set for a particular Client account, and applies the correct tier to the managed account balance to return an interest rate according to which the interest income is credited to the Client's account balance. The tier set for a particular Client account may be chosen according to information an flags stored as part of the Client information on the Agent database. The tier sets, tiers, and information for selecting tier sets and tiers may be provided by the Customer financial entity.

In another aspect, a Customer financial entity would define its interest allocation with two or more tiers forming a tier set, where the tiers are indexed by additional account characteristics. Then, given a particular Client account, a particular tier in the tier set would be selected according to the additional account characteristics, and the interest rate determined from the particular tier according to the primary characteristic of the Client account. Selection of a tier from a tier set may also depend on policies of the Customer financial entities. For example, a Customer financial entity may decide to start an interest-rate promotion using promotional tiers in the tier set. Then, the Agent would test (for example, a promotions flag in the Customer financial entity data records) to determine if promotional tier should be used to set interest rates.

Tiers in tier sets may have information in addition to a primary-characteristic range and a corresponding interest rate. For example, a tier may have a date range so that it is used to set interest rates only if the date is in the range. The date may be specified absolutely, or relatively, for example, with respect to the opening date of a Client account. Instead of specifying an actual interest rate, a promotional tier may specify an additive or multiplicative amount to be applied to a non-promotional or base interest rate.

The Agent database stores the information necessary to parameterize interest allocation and to determine an interest rate for a Client account. In the case of tiering, this database would store the tiers, tier sets, and the like among the records for the Customer financial entities. The Client account records in the database would also have information (such as flags indicating promotions) concerning account characteristics necessary for the tiering computation. Also, the Customer financial entity records may store policy flags and other data, if necessary for tier set selection.

In a concrete preferred embodiment, a Customer financial entity, such as a broker/dealer, an investment advisor, a credit union, or other financial entity, may wish to pay higher interest rates to accounts with larger balances because they are usually more profitable than accounts with smaller balances, and may also wish to run interest rate promotions from time-to-time. Accordingly, this Customer financial entity may specify a tier set with a base tier set applicable to all its Client in the absence of further indication in the account. Typically, a base tier set leads to the same interest rate for all account balances (for example, by having a single tier). The tier set would also have a standard tier set (or more than one) leading to increasing interest rates with increasing balances. Finally, there would be one or more promotional tier sets that determines the promotional interest rates. The promotion tier set may also include time information. For example, all Client accounts opened from April 1<sup>st</sup> through June 30<sup>th</sup> earn 5%, but after June 30<sup>th</sup> all accounts in the tier group will default to the a tier set that determines interest rates based on the balance in the account. Alternatively, the promotional tier set may specify that each account has an individual promotional period. For example, an account may earn a promotional rate for the first 60 days after it is opened at the Customer financial entity. On the 61<sup>st</sup> day, the account will default to a standard.

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Further, in this concrete embodiment, the Client account records for the Customer financial entity in the Agent database would have one or more tier set indicators, or other flags or data, that specify which tier set to apply to this Client. Agent methods would provide the Customer financial entity with the ability to set this indicator from time-to-time so that the intended accounts will have intended interest rates.

The wide flexibility of these embodiments is illustrated by the wide choice of tier sets and of the wide choice of characteristics and factors defining particular tiers in the tier sets. For example, a Customer financial entity may select a group of clients it wishes to favor or attract. In order to expand into a new geographic area or market segment, it may wish to favor such Clients. Clients may be favored if they transact additional business with the Customer financial entity, and so forth. This Customer financial entity may then supply the agent with the favored tier set and tiers along with appropriate Client identification information so that and the selected Clients (by residence, customer type, business characteristics, or the like) will receive the targeted rates. In this manner, a Customer financial entity may even choose to reward individual Clients identified by name or account number. Further tier sets and functions may depend on variables other than the managed account balances. Such other variables may include the total amount that a Client has invested at (or on loan from) a Customer financial entity (whether or not managed by the Agent), the length of time that the Client has been transacting business with the Customer financial entity, and so forth as will be apparent to those of skill in the art.

In the certain cases, a Customer financial entity's requested interest allocation may require more funds to be credited to its Clients than is generated by interest income from the Client funds managed in the MMDAs. The Customer financial entity may then be requested to transfer funds to cover this interest income shortfall. In the converse case, the Agent may transfer excess interest income to the Customer financial entity for its own use.

Agent operation for tiered interest rate implementation is flexibly programmed so that any number of tier sets, based tier sets, promotional tier sets, and tiers can be utilized with full adjustment of tier numbers, levels and time period, as selected and controlled by the Customer financial entity. The Customer financial entity may also indicate the duration of promotional tiers or interest rates and provide Client information fields and flags so that the Agent may chose the Customer financial entity's intended tier for each Client.

In other embodiments, interest rates may be determined by methods that are not table driven. The Customer financial entity may provide rules (such as "IF-THEN" rules) that the Agent will execute for each Client in order to determine the intended interest rate. The "IF" part of these rules will depend on such characteristics and indicators as are described above. The "THEN" parts may return an interest rate or link to further rules for further tests. In a further implementation, the Customer financial entity may even provide an executable module that the Agent will "call" (or otherwise execute) during interest rate allocation and that returns an interest rate suitable for each Client account.

Clearly, other embodiments that include other combinations of the basic features of this invention may be appropriate

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for other Customer financial entities. This invention would be understood by one of skill in the art to include such other embodiments.

#### 4. BRIEF DESCRIPTION OF THE DRAWINGS

The present invention may be understood more fully by reference to the following detailed description of the preferred embodiment of the present invention, illustrative examples of specific embodiments of the invention and the appended figures in which:

FIG. 1A illustrates an exemplary embodiment of accounts, funds flows between accounts, and database records managed by the Agent, where MMDA refers to money market deposit account, where DDA refers to demand deposit account, and where OI refers to ownership interests of Clients in the MMDAs;

FIG. 1B illustrates interest an exemplary embodiment of interest allocation in the invention FIGS. 2A-B illustrate an exemplary embodiment of the processing operations of this invention;

FIG. 3 illustrates an exemplary embodiment of a system of this invention; and

FIG. 4 illustrates an exemplary embodiment of interest-allocation processing of this invention.

#### 5. DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

Described next are specific preferred embodiments that are within the general scope of the invention as set forth in the preceding section. This description includes preferred details of the Agent-managed accounts and funds transfers, preferred interest allocation methods, and exemplary processing methods and systems.

##### 5.2 Agent-Managed Accounts

FIG. 1A is an exemplary general embodiment of the financial relationships and legal relationships (contractual, agency, and the like) that are present in this invention. Centrally illustrated in FIG. 1A are Agent and Agent database 2 with exemplary records 18, 19, 20, 21, 22, 23, 32, 33, and 34. Records 18 and 19 are for Clients of Customer financial entity 1, and record 20 holds the interest allocation parameters prescribed by that Customer financial entity. Similarly, the Agent database stores Client records 21 and 22 and interest allocation parameter record 23 for Customer financial entity 2. In various embodiments, the organization sponsoring the Agent, or an organization commonly controlled with the Agent organization, may have its own direct clients with Agent-managed accounts. Hence, also stored are Client record 34 and interest allocation parameter record 33 for direct Clients of the Agent. Finally, records 17 are Agent database records for further Customer financial entities.

It will be understood that certain non-essential aspects illustrated in FIG. 1A (and in the other figures) are for convenience of illustration and are not to be taken as limiting. Thus, while records 15 for Customer financial entity 1 (and records 16 for Customer financial entity 2, and records 32 for the Agent's direct Clients) are illustrated as grouped, they may be structured in an actual Agent database in any convenient manner known in the art. Also, although each of the records is illustrated by a single block, this information may be actually stored in any number of logical or physical records.

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Next, exemplary Customer financial entities are illustrated in the upper left section of FIG. 1A. Accordingly, Customer financial entities 5 and 7 have respective Client accounts 8, 9, 10, and 11. Client A has account records 8 and corresponding Agent records 18; and similarly Client B has records 9 and 19; Client C has records 10 and 21; and Client D has records 11 and 22. There will usually be further Clients and Customer financial entities 6 with corresponding Agent data 17. Records of direct Agent clients, such as record 34, combine both Customer-like information with Agent-like information. Although the Agent may appear to Clients of Customer financial entities as a bank-like financial entity, it is not actually a bank and holds no funds. All Agent-managed funds are held in money market deposit accounts in Supporting financial entities banks. Thus, illustrated in the bottom section of FIG. 1A is exemplary Supporting bank 25 with MMDA 28 linked to DDA 29, and exemplary Supporting bank 26 with its MMDA 30 linked to DDA 31. An embodiment may use additional Supporting banks 27. As illustrated, each Supporting financial entity holds a single MMDA and a corresponding DDA.

Further, the Agent exchanges funds and information with one or more, and usually several, transaction-processing financial entities illustrated in the upper right segment of FIG. 1A. It is by means of these transaction-processing financial entities, which preferably service many of the transaction vehicles provided by modern financial services, that Clients may access their Agent-managed funds for deposits and withdrawals. FIG. 1A individually illustrates several significant transaction sources. Thus, card services 48 represents credit and debit card processing organizations and networks. Internet bill payment services 49 represents service providers for bill payment, checks, and funds exchanges generally by means of the Internet (or other electronic or network means). ACH debits and credits 50 represents various direct deposit and withdrawal clearinghouse services. Check payment servicers 51 represent debit and credit transactions generated by paper check processing. Because these individually illustrated transaction sources are illustrative and not limiting, other transaction sources 52 represents transactions generated as a result of other payment vehicles (such as touch-tone bill payment). Accordingly, Clients may access their Agent managed funds by credit and debit cards, for Internet transactions, by direct deposits and withdrawals, by checks, and by other payment and funds exchange vehicles.

Various embodiments of the invention may provide more or fewer transaction sources as well as transaction sources of different types (or of types yet to be developed). In other embodiments, one or more (up to all) transaction sources may interface with the Customer financial entities, which then provide summary information to the Agent via the illustrated sweep files. For example, in the case of broker/dealers, investment advisors, and the like, securities transactions may be processed directly by these Customer financial entities. In this embodiment, the Agent may directly interface with only a few or no transaction sources.

Lastly, FIG. 1A illustrates information and funds exchanges present in general embodiments of the invention that are between the Agent and these financial entities that cooperate to provide the Agent-managed accounts of this invention. Exchanges 36 are between the Agent and the transaction sources. These transaction sources typically package a day's transactions in transaction files which are transmitted daily to the Agent. The Agent causes necessary funds' exchanges by, for example, wire transfers between Agent accounts and the transaction-source financial entities.

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Exchanges 35 are between the Customer financial entities and the Agent, and are usually implemented by exchange of sweep files, such as sweep files 45, 46, and 47. These sweep files usually have instructions for funds transfer between the Agent and its Customer financial entities along with summary transaction information. Funds transfers here are also typically implemented by wire transfers between Agent accounts and the Customer financial entities.

Finally, exchanges 37 are between the Agent and its Supporting financial entities (banks and savings institutions). These (usually) daily transfers preferably balance the net results of all prior Customer financial entity and Client transaction activity exchanges 35 and 36 by making necessary deposits or withdrawals at the Supporting financial entities. Importantly, the Agent causes withdrawals by, inter alia, generating instructions for a messenger to have the Supporting financial entities move funds from their MMDAs to their corresponding DDAs.

As illustrated, the Agent is generally central in these information and funds exchanges, receiving and processing transaction data and then causing necessary funds transfers.

For each Client account at a Customer financial entity participating in Agent services, the Agent tracks managed funds by storing one or more database records (representing "accounts") with financial information describing the Client funds being managed by the Agent. As illustrated, Client A's account 8 and Client B's account 9 at Customer financial entity 1 correspond to stored records 18 and 19; similarly, Client C's account 10 and Client D's account 11 at Customer financial entity 2 correspond to stored records 21 and 22. This financial information describes, at least, each Client's ownership interests ("OIs") in the MMDA at each Supporting financial entity, that is the amount of that Client's funds held in each MMDA, along with the total funds being managed for that Client (namely, the sum of the MMDA OIs). The Client records also preferably store information representing basic Client identifications, such as name, address, social security number, and the like, information representing Customer financial entity association, such as Client account number at the Customer financial entity, Client characteristics at the Customer financial entity important to Agent management, and the like, and additional Client related information (not illustrated).

The Agent database also preferably additionally stores records describing representing the Customer financial entities, such as records 15 and 16. These stored records represent at least Customer financial entity identification and such other information as the Agent needs to manage the Customer financial entity's Clients, including importantly parameters provided by the Customer financial entity to guide interest allocation. Thus the records describing Customer financial entity 1, records 15, include its interest allocation parameters and instructions 20, and those for Customer financial entity 2, records 16, include its interest allocation instructions 23. Where interest is allocated according to tier sets and tiers, the interest allocation records described the Customer-financial-entity-defined balance balance-tiers and associated interest rate, both of which may be changed by the Customer financial entity from time-to-time. Although FIG. 1A illustrates all the records for the individual Customer financial entities being grouped together, actual implementation of the Agent database may organize and physically store records in any manner convenient.

To meet statutory and regulatory requirements, the Agent provides Clients through the Customer financial entities with information describing their accounts and their transactions held on the Agent's database. The Customer financial entity

may decide to incorporate this account information into their statements to the client, or to have the Agent produce a separate statement. Thus, all activity sweeps, checks written debit/credit card transactions, and so forth appear in the account in the Clients' accounts as well as in the sub-accounts for the Clients when more than one supporting financial entity is used to provide FDIC insurance over \$100,000. Although detail of these sub-accounts may or may not be reported to the client (at the option of the Customer financial entity), the Agent preferably provides the Clients at least with the balances held in each pooled MMDA at each Supporting financial entity.

Next, Client funds for which the Agent is responsible are managed at one or more Supporting banks (financial entities) 25, 26, and 27 in a manner to both qualify for FDIC insurance, limited to \$100,000 per individual beneficial interest per Supporting financial entity, to earn interest, and to permit unlimited withdrawals. To satisfy regulatory requirements, each Supporting financial entity holds a pair of accounts, one account being an interest bearing money market deposit account (MMDA) in which all Client funds are deposited, and the other account being a demand deposit account (DDA) registered in the identical name as the first account (ex., "Administrator as agent for Clients"). For funds transfers from Supporting financial entities, the Agent, first, provides instructions to a messenger who personally requests the withdrawal from the MMDA to the associated DDA in a Supporting financial entity. Funds may be then wired from the DDA out of the Supporting financial entity by the Agent to cover client withdrawals from various sources. Transfer into the pooled MMDA may be direct or through the pooled DDA as dictated by operational convenience. As illustrated, Supporting bank 25 has linked MMDA 28 and DDA 29 between which the Agent exchanges funds 38'. Similarly, the Agent exchanges funds 38" between MMDA 30 and DDA 31 in Supporting bank 26.

### 5.3 Agent-Managed Funds Transfers

Generally, in this invention, the Agent receives actual funds from various financial entities and wires funds out to various financial entities, namely, the Customer financial entities 35, the Supporting financial entities 37, vendors (also referred to as transaction sources) that provide services for the Clients 36, and also direct Clients of the Agent that are not associated with any Customer financial entity. The Agent receives funds from various sources, such as sweep purchases of Clients at Customer financial entities, checks, wire transfers, ACH incoming transactions for, e.g., Client payroll and Client social security deposits, into a subscription account (or several subscription accounts) for further credit to the client's account as a deposit. These funds (after being netted against Client debits) are then to be deposited into the Supporting financial entity. The Agent also sends funds from the subscription account or accounts to pay for various types of withdrawals, such as on-line bill payment capabilities for Clients, ACH debits received from other banks at Clients' requests, touch-tone bill payment, and so forth. Further, the Agent may send funds for checks presented for payment against the Client accounts and for card transactions.

In more detail, the Agent determines the amounts of actual funds to transfer as a result of processing transactions received during its financial processing cycle (usually daily, but other periods known in the art may be used). One important source of transactions are vendors that provide payment services (both credits and debits) for the Clients and that periodically (e.g., daily) forward files to the Agent containing accumulated transactions of the Clients of the Agent (illus-

trated as Transaction sources 4 in FIG. 1A). Services provided by such vendors include processing of credit and debit cards, ACH credits and debits, Internet bill payments, check payments, and of other types of transaction known in the art. These transaction files are processed, preferably when received (in real-time), by the Agent to update the net credits and debits for each Client, and also the net credits and debits for each Customer financial entity in view of its Clients' net activities.

Another important source of transactions are sweep transactions received in sweep file forwarded from the Customer financial entities. Where Client transactions made at a Customer financial entity in a certain period generate net credits, the Customer financial entity may sweep excess Client funds to the Agent. In case of the converse, where Client transactions generate net debits at the Customer financial entity, this entity may request funds from the Agent to cover such debits. Alternately, funds may be swept to or from the Agent when funds in Client accounts at Customer financial entities exceed or fall below, respectively, a desired or target minimum balance, which may be the same for all the Customer financial entity's clients, or may vary among the Clients. Sweep files may optionally also summary or detailed information on the subject Client transactions. The Agent also processes sweep files in real-time to update the net credits and debits and for each Customer financial entity (for each Client if the sweep file contains the necessary information).

Resulting from this transaction processing are final net credits or final net debits due at each Customer financial entity and at each service vendor that provides a transaction file. The Agent may cause these net funds to be transferred by wire or other means at any time after the final nets are determined. Next, the resulting final net Client credits or net Client debits are allocated among the MMDAs. Where an embodiment manages only a single MMDA at a single Supporting financial entity, then all the net Client credits and debits are netted to a final amount to exchange with this Supporting financial entity. Where several MMDAs are managed at different Supporting financial entities, the final net Client credits or net Client debits are allocated among the available MMDAs according to preferences stored in the Client database records. These allocated amounts for all the Clients are then netted to obtain the final amounts to exchange with each of the Supporting financial entities. Funds transfers with the Supporting banks are managed as described above (with messengers for withdrawals) in order to satisfy regulatory requirements.

Concurrently, the Agent database is updated with information in the received transaction files so that it may track deposits to, and withdrawals from, each of the Client accounts at the Customer financial entities, Customer sweep activity, and the like. The database is further updated with net credits and net debit information and with funds transfer information, as well as with each Client's current proportionate and/or monetary share in the MMDAs.

Preferably, the foregoing procedures are structured in a manner so as to permit broker/dealers, savings institutions, credit unions and other Customer financial entities to continue servicing their Clients as they have done in the past with minimum disruption to their existing processes and systems. In this manner, the invention would be virtually transparent to presently-existing financial entities, and Customer financial

entity personnel would not be burdened with the requirement to perform unfamiliar and potentially time-consuming procedures.

#### 5.4 Methods of Interest Allocation

As the MMDAs at the various Supporting financial entities accrue interest, all or a portion (for example, interest less Agent fees) of this interest is distributed to individual Clients. FIG. 1B, which is identical to FIG. 1A except that funds exchanges 35, 36, and 37 of FIG. 1A are absent and interest distribution 40 is present, details this important Agent function. Each pooled (or aggregate) MMDA preferably earns a maximum interest return compatible with its insured status, which is credited by the Supporting financial entity to the MMDA. The Agent then distributes ownership of accrued interest to the ownership interest ("OIs") of individual Clients which are recorded in the Client records in the Agent database. In FIG. 1B, this interest distribution (also referred to herein as "interest allocation") is illustrated by multiply-headed arrow 40 linking the MMDAs, where the interest is accrued, to the Agent database records, where the interest is accounted for by increases in the Client OIs. This function does not necessarily involve actual funds transfer, because the distributed interest is accrued periodically in the Client's accounts and may be withdrawn according to the funds exchanges illustrated in FIG. 1A in response to debits in Client accounts.

Interest allocation, or distribution, may be performed by several methods. In a simple method, interest earned by an MMDA is proportionally allocated to the Clients according to the relative OIs in that MMDA. It is preferable, however, to allocate interest flexibly and especially in response to requests of the Customer financial entities. Accordingly, FIG. 1B illustrates that interest for the Clients of Customer financial entity 1 are allocated according to allocation methods 41; interest for the Clients of Customer financial entity 2 are allocated according to allocation methods 42; and further Customer financial entities may request further allocation methods 43. These allocation methods may simply be based on relative OIs (optionally, the Agent's default allocation method), or may be procedures provided by the Agent but parameterized by the Customer financial entities, or may be provided as a complete allocation procedure by the Customer financial entities. Depending on the Customer financial entity's chosen allocation method and the distribution of Clients of the Customer financial entity, the Agent may distribute an amount of interest that does not equal the interest returned from the MMDAs for this Customer financial entity.

The total amount of interest to be allocated to all the Clients of a single Customer financial entity (the Customer financial entity's share of the interest) is usually set to be the proportionate to those Clients' share of the total interest earned by the MMDAs. The Customer financial entity's allocation method then allocates that total among the Customer financial entity's Clients. It may happen the Customer financial entity's chosen allocation method distributes more or less than that that Customer financial entity's share. In this case, excess interest may be transferred to the Customer financial entity and deficits requested from the Customer financial entity. Optionally, the Agent itself may allocate interest among its Customer financial entities in an other-than-proportionate manner in order, for example, to encourage Customer financial entities to provide more Clients for the Agent.

Advantageously, interest allocation methods may be further customized to meet Customer financial entity marketing needs, such as acquiring new deposits, encouraging larger

deposits, and so forth. Broker/dealer customers would find this facility especially advantageous because statute and regulation have prevented them from offering interest incentives in the past based on money market mutual funds.

A preferred incentive allocation is based on "tiering", that is assigning interest rates to Clients based on their Agent-managed balance (or other Client account parameter that a Customer financial entity seeks to incent). First briefly in overview, interest allocation features of the present invention are selectively enhanced by system control of tiered interest rate allocations ("TIRA"). As noted above, Client account balances managed by the Agent are tracked on a periodic e.g. daily basis. TIRA methods tests the then current account balance for each Client having funds under Agent management. Based on the ascertained balances, the Client account is placed in one of two or more available tiers (where a method with a single tier implement a single interest rate for all accounts), with the selected tier level corresponding to the appropriate interest rate to be paid on that account balance during the deposit period. Exemplary TIRAs are found in Table 1:

TABLE I

Tier I - Balance greater than \$1; less than \$5000	Rate = 2%
Tier II - Balance greater than \$5,000; less than \$10,000	Rate = 3%
Tier III - Balance greater than \$10,000; less than \$25,000	Rate = 4%
Tier IV - Balance greater than \$25,000; less than \$50,000	Rate = 5%
Tier V - Balance greater than \$50,000	Rate = 6%

Interest rates assigned according to Table I provide incentives for Client account holders to increase their respective balance in order to achieve higher interest rates within the system constraints. Thus, TIRAs track the accounts and apply the appropriate interest rate to the current balance in accordance with the stored protocol.

One refinement of the TIRA method is to assign interest rates on, for example, the total balances held by a Client in all the Client's accounts with the Customer financial entity. Alternatively, interest rates may be tiered according to account balance and the length of time the Client has transacted business with the Customer financial entity,

A further refinement of the TIRA operation includes applications to pre-defined Customer financial entity promotions. A spectrum of potential promotional tier stratagems may be stored in the Agent database, and thus are selectively available for use to assist product marketing. Exemplary promotional structures include a single "fixed" tier level (single interest rate) and "variable" tier levels, with interest rates higher for an initial period before returning to base line levels. The fixed tier structure insures that a Client account earns the same level of interest rate for the promotional period, independent of balance. For example during the promotional period an account may accrue interest at a rate of 5 percent—that is—the rate associated with the tier corresponding to a balance of \$25,000 to \$100,000 (in Table I), even though the account balance is only \$6,000.

Variable tier levels can enhance the interest rates in some or all of the tiers during the promotional period by some factor. For example, during the promotion the enhancement may be 50 basis points ("BP") above the current tier (alternatively, a 15% interest rate bonus), thereby providing a bonus computation of this amount independent of the actual balance, but tied to the balance as done in normal non-promotional operation. Table II below exemplifies a variable promotion TIER arrangement:

TABLE II

Base Tiers			
Tier I - Greater than \$1 - less than \$5000	Rate = 1%		
Tier II - Greater than \$5,000 - less than \$10,000	Rate = 2%		
Tier III - Greater than \$10,000 - less than \$25,000	Rate = 3%		
Tier IV - Greater \$25,000	Rate = 4%		

Bonus:			
Variable Promotion A		BPs	Period
Tier I - Greater than \$1 - less than \$5000	Rate = 2%	+50	4/1-6/30
Tier II - Greater than \$5,000 - less than \$10,000	Rate = 3%	+25	4/1-6/30
Tier III - Greater than \$10,000 - less than \$25,000	Rate = 4%	+75	4/1-6/30
Tier IV - Greater \$25,000	Rate = 5%	+00	4/1-6/30

Bonus:			
Variable Promotion B		BPs	Period
Tier I - Greater than \$1 - less than \$5000	Rate = 2%	+50	5/1-7/30
Tier II - Greater than \$5,000 - less than \$10,000	Rate = 3%	+50	5/1-7/30
Tier III - Greater than \$10,000 - less than \$25,000	Rate = 4%	+00	5/1-7/30
Tier IV - Greater \$25,000	Rate = 5%	+00	5/1-7/30

Other parameters defining the tiers may be also adjusted by the Customer financial entities to address market conditions. Adjustment (bonus) periods may be lengthened, tiers added or subdivided, and rates may be coupled to current market indexes, such as the one-year Treasury note or Federal Funds rate. Entry of the new tier parameters into the Agent systems and methods implements the new structure.

FIG. 4 is an exemplary embodiment of Agent processing that is performed for each Client account that implements the preferred tiered interest rate system. As discussed above, the Agent database for each account includes one or more fields with data entries that identify, characterize, and classify each Client from the Customer financial entity's perspective. Preferably, one of these data entries is a promotional field flag indicating whether or not the current account is operating during a pending promotion. This flag is tested at step 401.

A positive response to this test leads to step 403 that determines the particular promotion (from further account record fields) and checks whether this promotion is still active (for example, has not expired). Data for the latter check is retrieved from the Customer financial entity's interest allocation parameters stored in the Agent database. If the promotion is still active, then the promotional interest rate is set 405 for this Client, again using the Customer financial entity's interest rate allocation data. If no promotion is active, the Agent then determines 407 that client tier set (set of tiers that may apply) and particular tier (within the determined tier set) from fields in the Client database record that characterize the type of Client. Next, the interest rate is set 409 using the Customer financial entity's interest rate allocation data.

Interest rate allocation for this Client concludes when the Agent uses the determined interest rate and Client's account balance to calculate 411 the amount of Client interest

### 5.5 Exemplary Agent Methods

On a regular and, preferably, periodic basis (for example, twice daily, daily, every other day, and so forth), the Agent performs an account-management-processing cycle during which it processes transactions for the Clients of Customer

financial entities (and at the Agent itself where it or a commonly controlled entity holds Client accounts) received from various sources. For concreteness and simplicity of description (and without limitation), an Agent processing cycle is described in terms of two phases: a Client/Customer financial entity first phase, and a Supporting financial entity second phase.

Briefly, in the Client/Customer first phase, funds transfers needed between the Agent and the broker/dealers, investment advisors, savings institutions, credit unions, other Customer financial entities, and vendor financial entities that provide transaction services for the clients (referred to above also as "transaction sources") are determined, and the necessary instructions to cause these funds transfers are issued. In this phase, transaction data received for all Client accounts (and new accounts) at all the Customer financial entities (and at the Agent itself where it holds Client accounts directly) is processed in order to obtain for each Client account the net debit or the net credit in that account for that particular period, and its distribution to or from the one or more MMDAs in the Supporting financial entities (with a single MMDA held in each entity). Transaction data is received from the various transaction sources or via sweep files or both.

Also in the first phase, for each Customer the Agent sums the net debits and the net credits received from the Customer for their clients on the daily sweep transaction file to obtain the total net debit or net credit at the Customer financial entity. If the net activity is a credit, the Customer financial entity will transfer funds to the Agent; if the net activity is a debit, the Agent then issues instructions to transfer funds to the Customer financial entity. Exchange of funds with the Agent and then among the Clients of any one Customer is according to that Customer's normal processing. Finally, as the transaction files from the various Transaction sources are processed, the net credits or debits between the Agent and that Transaction source are determined, and instructions to cause this transfer are issued.

In the second phase, the Agent sums the net debits and net credits for all Clients with funds for a Supporting financial entity, and then issues instructions to transfer this amount to or from, respectively, the Supporting financial entity. In the case where the Agent manages two or more MMDAs at two or more Supporting financial entities, the Client net credits and debits are preferably allocated to the Supporting financial entities according to preferences stored in the Client records in the Agent data base. For withdrawals from a Supporting financial entity, the Agent instructs a messenger to have the funds moved from the MMDA to the associated DDA, and then withdraws the funds from the DDA. For deposits, the Agent may direct funds to either the DDA or directly to the MMDA.

This description and the following details are exemplary, and one of skill in the art will recognize that the individual steps illustrated herein may be split, combined, or otherwise rearranged, that the orders of the individual steps and of the phase may be changed, and that other alterations are possible without degrading Agent account management functions. For example, in one alternative, all phases may occur together so that after processing data for each Client account and Customer financial entity, the Supporting financial entity net debit/credit amounts are updated.

These Agent processing phases are now described in more detail with reference to FIGS. 2A-B. FIG. 2A illustrates that the Client/Customer first phase includes two principal processing components or activities that are linked by updates stored in Agent database 204. Generally occurring first in time is the real-time transaction file processing (left portion of



FIG. 2A) during which the daily transaction files are processed as they are received and the Agent data base is updated with the transaction results. Generally following the transaction-file processing in time is the per Client/Customer processing during which the Clients and Customer financial entities having transaction activities for the period recorded on data base 204 are individually processed to determine the resulting total net credits or net debits.

Turning to the real-time transaction-file processing, preferably, the Agent systems and methods are structured and configured to receive and process transactions from many normal financial transaction sources and vendors of financial services. Accordingly, FIG. 2A illustrates input of standard sources of credit transactions, namely check deposits 231, Federal Reserve Bank wire deposits 233, and ACH (clearing house) deposits 235. Similarly, the Agent processes debits to Client accounts from a number of sources. Direct debit withdrawals are received and processed at 237. For credit and debit cards, the issuing bank through the card association network provides 247 a transaction file which is processed at 239. Activity in debit accounts is processed at 241, and direct Client withdrawals (for example, a withdrawal made by means of the Agent) are processed at 243. Various sources provide files of debit transactions, including checks presented for payment 249, ACH (clearinghouse) debits 251, bill payments made through Internet bill payment methods 253, and automated telephone bill payment methods such as touch-tone bill paying 255. In various embodiments, Agent methods and systems may receive and process transaction for other transaction sources, such as transaction made in person or received by mail and that may be manually keyed (or scanned) into the system.

Transaction files are processed by a hierarchy of one or more processing steps: deposit files are processed at 223; debit/credit card files are processed at 224; various debit transaction files are processed first at 245; and along with other debit transactions are processed at 227. (Note that certain sources may provide debits or credits; for example, card processing usually returns debit transactions but may return an occasional credit if a Client returns an item.) These processing steps generally perform the following similar functions. First, details of individual transaction are preferably stored on the Agent data base on a per Client and per Customer financial entity basis, and as they are being stored (or in subsequent steps), net credits and net debits for each Client and each Customer financial entity are accumulated and stored. Second, net debits or net credits are also accumulated for each of the transaction sources, and after each file is processed, instructions are generated to exchange the net funds with that source.

Concerning sweep file 230 and its processing at 225, data in the sweep files result from a Customer financial entity's processing of Client debit and Client credit transactions received against this account in most recent complete period. For example, a Customer financial entity processes all Client transactions for the previous, ex., twenty-four hour period to generate the sweep file made available in the current twenty-four hour period. For broker/dealers, for example, these transactions would typically result from Client securities purchases or sales. This file is the processed at 225 by the Agent to store the data by Client and Customer financial entity, to accumulate net debits or net credits by Client and Customer financial entity.

The Agent data base 204 is updated by this transaction processing, and the updated database is input to the following per Client/Customer processing.

In FIG. 2A, a "mainline" of per Client/Customer processing extends from 201 directly to 213. Beginning at 201 the Agent starts processing the updated items on the data base for the Clients and the Customers. If the current data item represents a new Client account, then the account is opened and initialized 202 by creating appropriate records in the Agent database. Since these records include the Supporting-financial-entity-preference list of Clients, this list is initialized 215 from either actual Client input or by the Agent in the absence of Client input, and initial deposits are then processed 217. Next, if this Client account has associated credit or debit cards, the card payment network is initialized for the next period's card transactions by creating a position file 203, as is known in the art. This position file is transmitted to the card's issuing bank 219, which then updates the card network 221 so that it may approve or deny transactions in the next processing period (for example, the next day after the current day).

Next all the data base updates with the net credits and net debits for the entity, Client or Customer financial entity, described by the current item being processed are retrieved and combined into a total net 205 for the Client or Customer financial entity. For a Customer financial entity, then Agent may then issue instructions to perform the necessary funds exchanges 259 with that Customer financial entity. Also, concurrently Agent may receive (or already has received) funds swept on that Customer financial entity's initiative.

For each Client account, the next steps of Agent processing are to allocate deposits or withdrawals to the MMDAs in various Supporting financial entities. (If there is only one Supporting financial entity, allocation processing is unnecessary). Each Client account record stores preferences for the various Supporting financial entities, either chosen by the Client or set by default. This list is retrieved 209 and the funds to be exchanged allocated 211 to the preferred Supporting financial entities.

As described, this allocation, preferably, holds funds so that the more preferred Supporting financial entities hold no less funds than the less preferred Supporting financial entities, and each Supporting financial entity holds no more than some threshold (for example, \$90,000) that is less than \$100,000 for each Client. The result of these last steps are the net funds to be deposited or withdrawn at each Supporting financial entity.

Interest earned by the MMDA accounts 229 is a further source of funds for Client accounts. This interest accrues daily and is posted monthly in the MMDA at the Supporting financial entities and then in the Clients accounts. Interest allocation is performed as previously described in dependent on interest allocation parameters 257 usually supplied from time-to-time by the Customer financial entities.

Agent processing for a chosen data base item completes at step 213. Then, the Agent picks a next data base item for the next Client or Customer financial entity and begins processing again at 202 until all data base updates made by the transaction processing have been handled.

Finally, FIG. 2B illustrates processing for the Supporting financial entity phase of the Agent processing cycle. Further, since each net client debit or credit is withdrawn or deposited to one or more pooled MMDAs in the supporting financial entities, essentially the same summing or netting must be done for each Supporting financial entity as for each Client. The result may be \$0, but is usually an amount of funds that must be transferred to or from the MMDAs in the Supporting financial entities to match excess Client (and Transaction source) withdrawals or deposits. Thus, for each Supporting financial entity 273, the net credits or net debits determined for that Supporting financial entity are retrieved 275 and



summed 277 to obtain the net total debit or credit at that Supporting financial entity. If the total net is a credit 279, then these funds are deposited to the MMDA(s) at that Supporting financial entity in any convenient manner, optionally by means of the associated DDA(s). If the total is a debit 279, then the Agent generates instructions for a messenger to have the total transferred from the MMDA(s) to the associated DDA(s) and finally transfers the total from the DDA(s) in any manner convenient. The processing is repeated for the next Supporting bank 285. In alternative embodiments, one or more of the steps 263, 265, and 267 may be integrated with Client processing; in other embodiments these steps may be a separate process following Client processing.

The Agent transfers and receives funds for the Customer financial entities, transactions sources and for the Supporting financial entities through an administrative account. All these transfer must, as a group, sum/net to \$0, because as an agent, the Agent does not accept deposits or grant credits. In essence, the Agent performs a system-wide crossing/clearing function.

### 5.6 Exemplary Agent Systems

The above account management processing, including interest allocation, is performed on Agent computer systems programmed to carry out the above methods. FIG. 3 illustrates exemplary systems are configured from standard commercial-grade components, for example, mainframe-type system 301 coupled to data storage 302 for the Agent databases, here illustrated as the "insured deposits database". A typical processor may be from IBM using an OS/390 or MVS/ESA operating system or the equivalent; a typical database system may be DB2 from IBM or the equivalent, such as products from Oracle Corp.

System 301 is also in communication 303 with Customer financial entities, Supporting financial entities, Clients (where the Agent provides statements and account information directly to Clients), sources of financial transactions (such as those illustrated in FIG. 2A), transfer agents of its Customer financial entities, and Supporting financial entities, and other data sources as necessary. Communication may be by TCP/IP, IBM SNA, or other (bisynchronous) to interface devices attached to system 301. Typically transaction and account information files are transferred over these links.

The methods of this invention may be programmed as one or more modules in convenient commercial programming languages. Either all or a portion of these modules implementing the methods of this invention may be packaged as program products on standard computer readable media (such as magnetic tapes, magnetic or optical discs, and the like).

### 5.7 Additional Specific Embodiments

The above-described elements of this invention relationships may be "packaged" variously to meet the needs of various Customer financial entities. In one embodiment, one Customer financial entity is linked to one Supporting financial entity, so that client accounts may be provided with up to \$100,000 of FDIC insurance along with interest and unlimited withdrawals. In a second embodiment, one Customer financial entity is linked to more than one independent, Supporting financial entity so that its clients may receive more than \$100,000 of FDIC insurance.

In a third embodiment, a Customer financial entity which is a bank or savings institution may wish to retain all Client funds on its own books so that they may be available for its

normal financial activities. This is accommodated by having the Agent managed MMDA-DDA pair (or pairs) be held at the Customer financial entity. Otherwise, the Agent systems and methods are as described above. In this embodiment, Client insurance is limited to \$100,000. In such an embodiment, the ownership interests managed by the Agent and recorded on its database may be advantageously realized as separate Client accounts at the Customer financial entity (referred to as a "return sweep account"). Then, a Client will have two accounts, one on the books of the Customer financial entity, for example, a Client demand deposit account, and a second account held on the books of the Agent, a return sweep account. The Agent then manages fund exchanges between these accounts so that the funds of all Client return sweep accounts are held in the managed MMDA-DDA pairs.

Such additional embodiments preferably also include flexible allocation of interest earned on the one or more Agent-managed MMDAs according to the characteristics of Client accounts (or according to Customer indications). As described above, the Supporting financial entities credit interest earned to the MMDAs, and the Agent then allocates the credited interest among the Client ownership interests according to Client account characteristics. This allocation is preferably according to interest rates varying according to account balances as determined by a set of tiers, each tier specifying a selected interest rate for a selected range of account balances. However, interest may also be allocated according to other Client of Customer financial entity characteristics, such as the existence of an interest rate promotion.

Systems supporting these embodiments may be separate; one system supporting one embodiment for one client. Or one system may support multiple Customer financial entities using a single embodiment. Advantageously, a single networked system processes multiple Customer financial entities using multiple embodiments. In the latter case, client and Customer financial entity records will contain sufficient information to identify clients related to each Customer financial entity, and further to provide client classification information appropriate to that Customer financial entity (ex., total balance at the Customer financial entity, branch, Customer financial entity history, . . . , etc.).

Thus, it can be appreciated that by practicing the embodiment of the invention described in connection with the above figures, an individual Client is effectively provided with FDIC insurance in excess of \$100,000 in an account from which unlimited withdrawals are possible. Further, the Customer financial entity holding the Client's base account is enabled to provide interest return flexibly allocated according to various Client characteristics, such as the size the Client balances.

Further embodiments will be apparent to those of skill in the art and are part of the present invention. In particular, elements of the methods and systems described above may be arranged and combined in further embodiments to achieve the objects of the invention in a manner tailored for particular Customer financial entities, or Clients, or Supporting institutions. Such additional combinations are also part of the present invention.

The invention described and claimed herein is not to be limited in scope by the preferred embodiments herein disclosed, since these embodiments are intended as illustrations of several aspects of the invention. Any equivalent embodiments are intended to be within the scope of this invention. Indeed, various modifications of the invention in addition to those shown and described herein will become apparent to

those skilled in the art from the foregoing description. Such modifications are also intended to fall within the scope of the appended claims.

A number of references are cited herein, the entire disclosures of which are incorporated herein, in their entirety, by reference for all purposes. Further, none of these references, regardless of how characterized above, is admitted as prior to the invention of the subject matter claimed herein.

The invention claimed is:

1. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts being interest-bearing, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media, comprising a respective balance of funds for each of a plurality of the respective client accounts in the subset and information on funds held by each of the plurality of clients of the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

updating the respective balance of funds in the database associated with each of the respective client accounts in the subset based on one or more debit and/or credit transactions made by the respective client;

determining electronically for each of the plurality of the client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in an interest-allocation procedure based at least in part on the updated balance of funds associated with the respective client account in the subset;

calculating electronically a respective interest for a period to be posted to each of a plurality of respective client accounts in the subset, with the respective interest to be posted to a respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share in earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

2. The method as defined in claim 1, wherein there are a plurality of different customer financial entities, each differ-

ent customer financial entity having a plurality of customer accounts associated therewith, and further comprising:

determining the interest-allocation procedure for each of a plurality of respective client accounts based at least in part on the customer financial entity associated with the respective client account.

3. The method as defined in claim 1, wherein the respective interest rate is determined based on the respective balance of funds associated with the client in the respective client account.

4. The method as defined in claim 1, wherein the respective interest rate is determined based on respective total client funds associated with a customer financial entity.

5. The method of claim 1, wherein the interest-allocation procedure comprises assigning an interest rate from among a plurality of interest rates to a respective client account based on whether the respective balance of funds of the client is in a selected range of balances.

6. The method of claim 1, wherein the determining the interest rate step is performed independently of the determining the interest earned step.

7. The method of claim 1, wherein one or more of the clients are associated with at least one customer financial entity, wherein the steps of the method are performed by one or more computers operated on behalf of an agent entity managing the client accounts on behalf of the customer financial entity, and wherein the interest-allocation procedure is determined at least in part based on a parameter related to the customer financial entity.

8. The method of claim 7, wherein the parameter related to the customer financial entity is a total of all of the balances of the client accounts managed by the agent for the customer financial entity.

9. The method of claim 1, further comprising:

requesting from the customer financial entity a transfer of any deficit caused by an allocation to one or more of the client accounts associated with that customer financial entity of more than the funds of those client accounts earned in the one or more aggregated deposit accounts.

10. The method of claim 1, wherein each of a plurality of the managed client accounts are associated with a different customer financial entity.

11. The method of claim 1, wherein one or more of the clients are associated with at least one customer financial entity, wherein the steps of the method are performed by an agent entity managing the client accounts on behalf of the at least one customer financial entity, and further comprising receiving an interest-allocation procedure from the customer financial entity.

12. The method of claim 1, wherein each of a plurality of the aggregated deposit accounts has a corresponding aggregated demand account in the financial institution holding the aggregated deposit account, and further comprising:

generating instructions for transferring funds between the aggregated deposit account and the aggregated demand account at one or more of the financial institutions to satisfy a net of transaction credits and debits from a plurality of the clients.

13. The method of claim 1, further comprising:

updating electronically a database with information representing

(i) the received client transaction data,

(ii) client-account data for a client account describing in which one or more aggregated deposit accounts the account funds are held, net client-account credits and/or debits, and interest allocated to the managed client account, and

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(iii) aggregated deposit accounts including net deposit-account credits and/or debits.

14. The method of claim 1, wherein one or more of the clients are associated with at least one customer financial entity, wherein one or more of the steps of the method are performed by one or more computers operated on behalf of an agent entity managing the client accounts on behalf of the at least one customer financial entity, and further comprising:

determining or having determined electronically from the electronic client transaction data a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions by the agent entity for one or more funds transfers with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit; and

transferring or having transferred funds with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit.

15. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts being interest-bearing, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media, comprising a respective balance of funds for each of a plurality of the respective client accounts in the subset and information on funds held by each of the plurality of clients of the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

determining or having determined or receiving electronically for each client account with transaction activity a net client-account credit or net client-account debit resulting from that client's one or more transactions received in the client transaction data;

updating a respective balance of funds associated with each of a plurality of the respective clients based on the respective net client-account credit or respective net client-account debit determined from the respective client's transactions;

determining electronically for each of the plurality of the client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in an interest-allocation procedure based at least in part on the updated balance of funds associated with the respective client account in the subset;

calculating electronically a respective interest for a period to be posted to each of a plurality of respective client accounts in the subset, with the respective interest to be

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posted to a respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share in earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

16. The method of claim 15, wherein one or more of the clients are associated with at least one customer financial entity, wherein one or more of the steps of the method are performed by one or more computers operated on behalf of an agent entity managing the client accounts on behalf of the at least one customer financial entity, and further comprising:

determining or having determined electronically from the electronic client transaction data a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions by the agent entity for one or more funds transfers with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit; and

transferring or having transferred funds with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit.

17. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, wherein there are one or more different customer financial entities, each of the one or more different customer financial entities having a plurality of the customer accounts associated therewith, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts having its own interest rate, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media comprising a balance of funds in each of a plurality of the respective client accounts in the subset and information on funds held by each of a plurality of clients in the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

determining or having determined electronically for each client account a net client-account credit or a net client-account debit resulting from that client's one or more transactions received in the client transaction data;

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generating a respective updated balance of funds associated with each of the respective client accounts in the subset based on the net client-account credit or net client-account debit determined from the respective client's one or more transactions;

determining or having determined electronically from the electronic client transaction data or the respective net client-account credits or net client-account debits a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions for transferring funds with one or more of the aggregated deposit accounts at the one or more financial institutions to satisfy the net credit or debit for the plurality of client accounts;

determining an interest-allocation procedure for each of a plurality of respective client accounts based at least in part on the customer financial entity associated with the respective client account;

determining electronically for each of the plurality of the respective client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in the determined interest-allocation procedure based on the updated balance of funds associated with the respective client;

calculating a respective interest for a period to be posted to each of a plurality of the respective client accounts in the subset, with the respective interest to be posted to the respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share of earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

18. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, wherein there are a plurality of different customer financial entities, each different customer financial entities having a plurality of the customer accounts associated therewith, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts being interest-bearing, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

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maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media, comprising a balance of funds in each of a plurality of the respective client accounts in the subset and information on funds held by each of a plurality of clients in the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

determining or having determined electronically for each client account a net client-account credit or a net client-account debit resulting from that client's one or more transactions received in the client transaction data;

generating a respective updated balance of funds associated with the respective client accounts in the subset based on the net client-account credit or net client-account debit determined from the respective client's transactions;

determining or having determined electronically from the electronic client transaction data or the respective net client-account credits or net client-account debits a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions for transferring funds with one or more of the aggregated deposit accounts at the one or more financial institutions to satisfy the net credit or debit for the plurality of client accounts;

transferring or having transferred funds with one or more of the aggregated deposit accounts to satisfy the net credit or net debit for the plurality of client accounts;

determining an interest-allocation procedure for each of a plurality of respective client accounts based at least in part on the customer financial entity associated with the respective client account;

determining electronically for each of the plurality of the client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in the determined interest-allocation procedure based on the updated balance of funds associated with the respective client;

calculating a respective interest for a period to be posted to each of a plurality of the respective client accounts in the subset, with the respective interest to be posted to the respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share of earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

\* \* \* \* \*

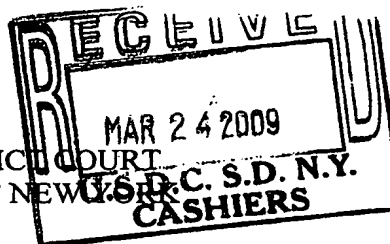
**JUDGE MARRERO**

**09 CV 2675**

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Attorneys for Plaintiffs  
Island Intellectual Property LLC  
LIDs Capital, LLC and Double Rock Corporation

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK



----- X  
ISLAND INTELLECTUAL PROPERTY LLC,  
LIDS CAPITAL, LLC and DOUBLE ROCK  
CORPORATION,  
  
Plaintiffs,  
  
v.  
  
PROMONTORY INTERFINANCIAL  
NETWORK, LLC and MBSC SECURITIES  
CORPORATION,  
  
Defendants.  
----- X

Civil Action No.:

**RULE 7.1 CORPORATE  
DISCLOSURE STATEMENT**

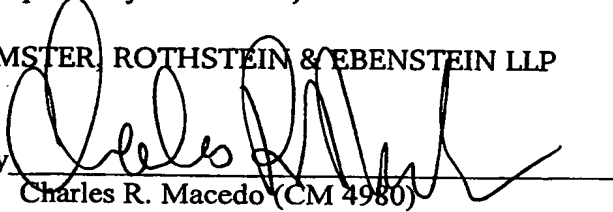
Pursuant to Rule 7.1 of the Federal Rules of Civil Procedure, the undersigned attorney of record for the Plaintiffs ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL, LLC, and DOUBLE ROCK CORPORATION hereby certifies that Plaintiff ISLAND INTELLECTUAL PROPERTY LLC and Plaintiff LIDS CAPITAL, LLC are wholly owned subsidiaries of Plaintiff DOUBLE ROCK CORPORATION. There are no corporate parents or

publicly held corporations owning ten percent (10%) or more of the stock of DOUBLE ROCK CORPORATION.

Respectfully submitted,

AMSTER, ROTHSTEIN & EBENSTEIN LLP

By

  
Charles R. Macedo (CM 4980)

Dated: New York, New York  
March 24, 2009

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Attorneys for Plaintiffs  
Island Intellectual Property LLC  
LIDs Capital, LLC and  
Double Rock Corporation

# EXHIBIT B

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for use of the Clerk of Court for the purpose of initiating the civil docket sheet.

PLAINTIFFS

ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL, LLC, and DOUBLE ROCK CORPORATION

ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Amster Rothstein & Ebenstein LLP  
90 Park Avenue, New York, NY 10016  
212-336-8000

DEFENDANTS

DEUTSCHE BANK AG, DEUTSCHE BANK FINANCIAL SERVICES, LLC, and AMERICAN EXPRESS COMPANY

ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

AMSTER ROTHSTEIN & EBENSTEIN LLP

CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE)  
(DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

35 U.S.C. § 271. Patent Infringement.

MAR 24 2009

U.S.D.C. S.D. N.Y.  
CASHIERS

Has this or a similar case been previously filed in SDNY at any time? No ☒ Yes ☐ Judge Previously Assigned ☐

If yes, was this case Vol. ☐ Invol. ☐ Dismissed. No ☐ Yes ☐ If yes, give date \_\_\_\_\_ & Case No. \_\_\_\_\_

(PLACE AN [x] IN ONE BOX ONLY)

NATURE OF SUIT

TORTS

ACTIONS UNDER STATUTES

CONTRACT

- [ ] 110 INSURANCE
- [ ] 120 MARINE
- [ ] 130 MILLER ACT
- [ ] 140 NEGOTIABLE INSTRUMENT
- [ ] 150 RECOVERY OF OVERPAYMENT & ENFORCEMENT OF JUDGMENT
- [ ] 151 MEDICARE ACT
- [ ] 152 RECOVERY OF DEFAULTED STUDENT LOANS (EXCL VETERANS)
- [ ] 153 RECOVERY OF OVERPAYMENT OF VETERANS' BENEFITS
- [ ] 160 STOCKHOLDERS SUITS
- [ ] 190 OTHER CONTRACT
- [ ] 195 CONTRACT PRODUCT LIABILITY
- [ ] 196 FRANCHISE

PERSONAL INJURY

- [ ] 310 AIRPLANE
- [ ] 315 AIRPLANE PRODUCT LIABILITY
- [ ] 320 ASSAULT, LIBEL & SLANDER
- [ ] 330 FEDERAL EMPLOYERS' LIABILITY
- [ ] 340 MARINE
- [ ] 345 MARINE PRODUCT LIABILITY
- [ ] 350 MOTOR VEHICLE
- [ ] 355 MOTOR VEHICLE PRODUCT LIABILITY
- [ ] 360 OTHER PERSONAL INJURY

PERSONAL INJURY

- [ ] 362 PERSONAL INJURY - MED MALPRACTICE
- [ ] 365 PERSONAL INJURY PRODUCT LIABILITY
- [ ] 368 ASBESTOS PERSONAL INJURY PRODUCT LIABILITY
- [ ] 370 OTHER FRAUD
- [ ] 371 TRUTH IN LENDING
- [ ] 380 OTHER PERSONAL PROPERTY DAMAGE
- [ ] 385 PROPERTY DAMAGE PRODUCT LIABILITY

FORFEITURE/PENALTY

- [ ] 810 AGRICULTURE
- [ ] 820 OTHER FOOD & DRUG
- [ ] 825 DRUG RELATED SEIZURE OF PROPERTY
- [ ] 830 LIQUOR LAWS
- [ ] 840 RR & TRUCK
- [ ] 850 AIRLINE REGS
- [ ] 860 OCCUPATIONAL SAFETY/HEALTH
- [ ] 890 OTHER

BANKRUPTCY

- [ ] 422 APPEAL 28 USC 158
- [ ] 423 WITHDRAWAL 28 USC 157

PROPERTY RIGHTS

- [ ] 820 COPYRIGHTS
- [ ] 830 PATENT
- [ ] 840 TRADEMARK

SOCIAL SECURITY

- [ ] 861 HIA (1395f)
- [ ] 862 BLACK LUNG (923)
- [ ] 863 DIWC/DWW (405(g))
- [ ] 864 SSID TITLE XVI
- [ ] 865 RSI (405(g))

FEDERAL TAX SUITS

- [ ] 870 TAXES (U.S. Plaintiff or Defendant)
- [ ] 871 IRS-THIRD PARTY 26 USC 7609

OTHER STATUTES

- [ ] 400 STATE REAPPORTIONMENT
- [ ] 410 ANTITRUST
- [ ] 430 BANKS & BANKING
- [ ] 450 COMMERCE
- [ ] 460 DEPORTATION
- [ ] 470 RACKETEER INFLUENCED & CORRUPT ORGANIZATION ACT (RICO)
- [ ] 480 CONSUMER CREDIT
- [ ] 490 CABLE/SATELLITE TV
- [ ] 810 SELECTIVE SERVICE
- [ ] 850 SECURITIES/COMMODITIES/EXCHANGE
- [ ] 875 CUSTOMER CHALLENGE 12 USC 3410
- [ ] 890 OTHER STATUTORY ACTIONS
- [ ] 891 AGRICULTURAL ACTS
- [ ] 892 ECONOMIC STABILIZATION ACT
- [ ] 893 ENVIRONMENTAL MATTERS
- [ ] 894 ENERGY ALLOCATION ACT
- [ ] 895 FREEDOM OF INFORMATION ACT
- [ ] 900 APPEAL OF FEE DETERMINATION UNDER EQUAL ACCESS TO JUSTICE
- [ ] 950 CONSTITUTIONALITY OF STATE STATUTES

REAL PROPERTY

- [ ] 210 LAND CONDEMNATION
- [ ] 220 FORECLOSURE
- [ ] 230 RENT LEASE & EJECTMENT
- [ ] 240 TORTS TO LAND
- [ ] 245 TORT PRODUCT LIABILITY
- [ ] 290 ALL OTHER REAL PROPERTY

ACTIONS UNDER STATUTES

CIVIL RIGHTS

- [ ] 441 VOTING
- [ ] 442 EMPLOYMENT
- [ ] 443 HOUSING/ACCOMMODATIONS
- [ ] 444 WELFARE
- [ ] 445 AMERICANS WITH DISABILITIES - EMPLOYMENT
- [ ] 448 AMERICANS WITH DISABILITIES - OTHER
- [ ] 440 OTHER CIVIL RIGHTS

PRISONER PETITIONS

- [ ] 510 MOTIONS TO VACATE SENTENCE 28 USC 2255
- [ ] 530 HABEAS CORPUS
- [ ] 535 DEATH PENALTY
- [ ] 540 MANDAMUS & OTHER
- [ ] 550 CIVIL RIGHTS
- [ ] 555 PRISON CONDITION

LABOR

- [ ] 710 FAIR LABOR STANDARDS ACT
- [ ] 720 LABOR/MGMT RELATIONS
- [ ] 730 LABOR/MGMT REPORTING & DISCLOSURE ACT
- [ ] 740 RAILWAY LABOR ACT
- [ ] 790 OTHER LABOR UTIGATION
- [ ] 791 EMPL RET INC SECURITY ACT

IMMIGRATION

- [ ] 462 NATURALIZATION APPLICATION
- [ ] 463 HABEAS CORPUS-ALIEN DETAINEE
- [ ] 465 OTHER IMMIGRATION ACTIONS

Check if demanded in complaint:

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DO YOU CLAIM THIS CASE IS RELATED TO A CIVIL CASE NOW PENDING IN S.D.N.Y.? IF SO, STATE:

DEMAND \$ \_\_\_\_\_ OTHER \_\_\_\_\_ JUDGE Marrero DOCKET NUMBER 09cv 2675

Check YES only if demanded in complaint  
JURY DEMAND: ☒ YES ☐ NO

NOTE: Please submit at the time of filing an explanation of why cases are deemed related.



(PLACE AN x IN ONE BOX ONLY)

ORIGIN

- ☒ 1 Original Proceeding ☐ 2a. Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from (Specify District) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judge Judgment
- ☐ 2b. Removed from State Court AND at least one party is pro se.

(PLACE AN x IN ONE BOX ONLY)

BASIS OF JURISDICTION

IF DIVERSITY, INDICATE CITIZENSHIP BELOW.  
(28 USC 1322, 1441)

- ☐ 1 U.S. PLAINTIFF ☐ 2 U.S. DEFENDANT ☒ 3 FEDERAL QUESTION (U.S. NOT A PARTY) ☐ 4 DIVERSITY

CITIZENSHIP OF PRINCIPAL PARTIES (FOR DIVERSITY CASES ONLY)

(Place an [X] in one box for Plaintiff and one box for Defendant)

	PTF	DEF		PTF	DEF		PTF	DEF
CITIZEN OF THIS STATE	[ ]	[ ]	CITIZEN OR SUBJECT OF A FOREIGN COUNTRY	[ ]	[ ]	INCORPORATED and PRINCIPAL PLACE OF BUSINESS IN ANOTHER STATE	[ ]	[ ]
CITIZEN OF ANOTHER STATE	[ ]	[ ]	INCORPORATED or PRINCIPAL PLACE OF BUSINESS IN THIS STATE	[ ]	[ ]	FOREIGN NATION	[ ]	[ ]

PLAINTIFF(S) ADDRESS(ES) AND COUNTY(IES)

Island Intellectual Property 1250 Broadway, 32nd Floor New York, NY 10001 New York County	LIDS Capital, LLC 1250 Broadway, 32nd Floor New York, NY 10001 New York County	Double Rock Corporation 1250 Broadway, 32nd Floor New York, NY 10001 New York County
--	---	---

DEFENDANT(S) ADDRESS(ES) AND COUNTY(IES)

Deutsche Bank AG 60 Wall Street New York, NY 10005 New York County	Deutsche Bank Trust Company Americas 60 Wall Street New York, NY 10005 New York County	Total Bank Solutions, LLC Three University Plaza, Suite 320 Hackensack, NJ 07601 Bergen County
---	---	---

DEFENDANT(S) ADDRESS UNKNOWN

REPRESENTATION IS HEREBY MADE THAT, AT THIS TIME, I HAVE BEEN UNABLE, WITH REASONABLE DILIGENCE, TO ASCERTAIN THE RESIDENCE ADDRESSES OF THE FOLLOWING DEFENDANTS:

Check one: THIS ACTION SHOULD BE ASSIGNED TO: ☐ WHITE PLAINS ☒ MANHATTAN  
(DO NOT check either box if this a PRISONER PETITION.)

DATE 3/24/2008 SIGNATURE OF ATTORNEY OF RECORD

ADMITTED TO PRACTICE IN THIS DISTRICT

[ ] NO  
[x] YES (DATE ADMITTED Mo. Jan. Yr. 1991)  
Attorney Bar Code # CM 4980

RECEIPT #

Magistrate Judge is to be designated by the Clerk of the Court.

Magistrate Judge \_\_\_\_\_ is so Designated.

J. Michael McMahon, Clerk of Court by \_\_\_\_\_ Deputy Clerk, DATED \_\_\_\_\_

UNITED STATES DISTRICT COURT (NEW YORK SOUTHERN)

UNITED STATES DISTRICT COURT

Southern

District of

New York

ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL,  
LLC, and DOUBLE ROCK CORP.

SUMMONS IN A CIVIL ACTION

V.

DEUTSCHE BANK AG; DEUTSCHE BANK TRUST  
COMPANY AMERICAS and TOTAL BANK SOLUTIONS, LLC

CASE NUMBER

09 CV 2677

TO: (Name and address of Defendant)

Deutsche Bank AG  
60 Wall Street  
New York, NY 10005

Deutsche Bank Trust Company Americas  
60 Wall Street  
New York, NY 10005

Total Bank Solutions, LLC  
Three University Plaza  
Suite 320  
Hackensack, NJ 07601

**YOU ARE HEREBY SUMMONED** and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Amster Rothstein & Ebenstein LLP  
90 Park Avenue  
New York, NY 10016  
212-336-8000

an answer to the complaint which is served on you with this summons, within twenty (20) days after service of this summons on you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. Any answer that you serve on the parties to this action must be filed with the Clerk of this Court within a reasonable period of time after service.

MAR 24 2009

J. MICHAEL McMAHON

CLERK

DATE

(By) DEPUTY CLERK

*Catherine Lapine*

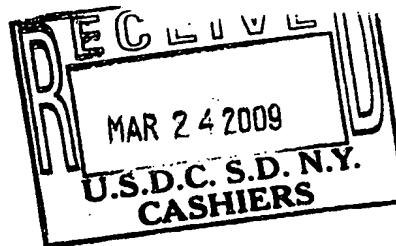
RETURN OF SERVICE		
Service of the Summons and complaint was made by me <sup>(1)</sup>	DATE	
NAME OF SERVER (PRINT)	TITLE	
<i>Check one box below to indicate appropriate method of service</i>		
<div style="margin-bottom: 10px;"><input type="checkbox"/> Served personally upon the defendant. Place where served:</div> <div style="margin-bottom: 10px;"> <input type="checkbox"/> Left copies thereof at the defendant's dwelling house or usual place of abode with a person of suitable age and discretion then residing therein.  Name of person with whom the summons and complaint were left: </div> <div style="margin-bottom: 10px;"><input type="checkbox"/> Returned unexecuted:</div> <div><input type="checkbox"/> Other (specify):</div>		
STATEMENT OF SERVICE FEES		
TRAVEL	SERVICES	TOTAL \$0.00
DECLARATION OF SERVER		
<p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> Executed on _____  Date </div> <div style="width: 60%;"> _____  Signature of Server </div> </div> <div style="text-align: center; margin-top: 20px;"> _____  Address of Server </div>		

(1) As to who may serve a summons see Rule 4 of the Federal Rules of Civil Procedure.

*James G. [Signature]*

09 CV 2677

Anthony F. Lo Cicero (AL 7538)  
Charles R. Macedo (CM 4980)  
Benjamin Charkow (BC 4455)  
AMSTER, ROTHSTEIN & EBENSTEIN LLP  
90 Park Avenue  
New York, New York 10016  
Telephone: (212) 336-8000  
Facsimile: (212) 336-8001



Attorneys for Plaintiffs  
Island Intellectual Property LLC  
LIDs Capital, LLC and Double Rock Corporation

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

----- -X

ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL, LLC, and DOUBLE ROCK CORPORATION,	:	Civil Action No.:
	:	
	:	<b><u>COMPLAINT</u></b>
	:	<b>JURY TRIAL DEMANDED</b>
	:	
Plaintiffs,	:	
	:	
v.	:	
	:	
DEUTSCHE BANK AG, DEUTSCHE BANK TRUST COMPANY AMERICAS, and TOTAL BANK SOLUTIONS, LLC	:	
	:	
Defendants.	:	

----- -X

**COMPLAINT FOR PATENT INFRINGEMENT**

Plaintiffs Island Intellectual Property LLC ("Island IP"), LIDs Capital, LLC ("LIDs Capital") and Double Rock Corporation ("Double Rock"), (collectively, "Island"), by their attorneys Amster, Rothstein & Ebenstein LLP, for their complaint against Defendants Deutsche Bank AG, ("Deutsche Germany"), Deutsche Bank Trust Company Americas ("Deutsche U.S.")

and Total Bank Solutions, LLC ("TBS") (collectively, "the Deutsche Defendants") allege as follows:

#### NATURE OF THE ACTION

1. This is an action for patent infringement arising out of the Deutsche Defendants' infringement of the Island Plaintiffs' U.S. Patent No. 7,509,286 generally relating to computerized account management techniques used with insured deposit accounts. Specifically, this Complaint asserts claims against the Deutsche Defendants arising from their infringement of at least Claim 1 of U.S. Patent No. 7,509,286, issued on March 24, 2009, and entitled "Systems and Methods for Money Fund Banking, with Flexible Interest Allocation," ("the '286 Patent"). A true and correct copy of the '286 Patent is attached hereto as Exhibit A.

#### THE PARTIES

2. Island IP is a limited liability company, organized and existing under the laws of the State of Delaware. Island IP's principal place of business is located at 1250 Broadway, Thirty-Second Floor, New York, NY 10001, within this District.

3. LIDs Capital is a limited liability corporation, organized and existing under the laws of the State of Delaware. LIDs Capital's principal place of business is located at 1250 Broadway, Thirty-Second Floor, New York, NY 10001, within this District.

4. Double Rock is a corporation organized and existing under the laws of the State of New Jersey. Double Rock's principal place of business is located at 1250 Broadway, Thirty-Second Floor, New York, NY 10001, within this District. Double Rock is the prior owner of the '286 Patent.

5. Upon information and belief, Defendant Deutsche Germany is a corporation organized and existing under the laws of the Federal Republic of Germany. Deutsche

Germany's regional head office in the United States is located at 60 Wall Street, New York, New York, 10005, within this District.

6. Upon information and belief, Defendant Deutsche U.S. is a corporation organized and existing under the laws of the State of New York. Deutsche U.S.'s principal place of business is located at 60 Wall Street, New York, New York 10005, within this District.

7. Upon information and belief, Defendant TBS is a corporation organized and existing under the laws of the State of New Jersey. TBS's principal place of business is located at Three University Plaza, Suite 320, Hackensack, NJ 07601.

#### JURISDICTION AND VENUE

8. This is a civil action for patent infringement arising under the United States patent statutes, 35 U.S.C. § 1 *et seq.*

9. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §§ 1331 and 1338(a).

10. Upon information and belief, Defendant Deutsche Germany is subject to this Court's personal jurisdiction because it does substantial business in this judicial district, including: (i) offering and operating its banking services within this State and this District; and (ii) operating its infringing insured deposit program within this State and in this District. In addition, Deutsche Germany has designated Deutsche Bank Americas, located at 60 Wall Street, New York, NY 10005, as its agent in the State of New York.

11. Upon information and belief, Defendant Deutsche U.S. is subject to this Court's personal jurisdiction because it has done substantial business in this judicial district, including: (i) offering and operating its banking services within this State and this District; and (ii) acting

as the intermediary for Deutsche Germany's infringing insured deposit program within this State and in this District. In addition, as a New York Corporation, Defendant Deutsche U.S. has designated an agent for service of process in the State of New York.

12. Upon information and belief, Defendant TBS is subject to this Court's personal jurisdiction because it has done substantial business in this judicial district, including offering and operating computer and record keeping services for at least Deutsche U.S.'s infringing insured deposit program within this State and in this District.

13. Venue is proper in this judicial district under 28 U.S.C. §§ 1391(b)-(c) and 1400(b).

#### FACTUAL BACKGROUND

14. Double Rock is an industry leader in providing cash management and monetary regulation systems. The principals of Double Rock developed an innovative product known as "insured deposits", which provides financial service institutions with the ability to offer customers FDIC-insured, interest bearing demand accounts, with unlimited checking.

15. One improvement developed by the principals of Double Rock for the insured deposits product was the ability to provide financial service institutions with the ability to offer different interest rates to different customers, participating in the program, known as "tiered interest rates".

#### THE PATENT-IN-SUIT

16. The '286 Patent claims a novel method of managing client funds by providing financial institutions the ability to provide client accounts with increased FDIC insurance and provide interest using tiered interest rates. The patented method also manages the accounts by aggregating the client accounts at each bank participating within the program.

17. Island IP, a wholly-owned subsidiary of Double Rock, is the owner of all rights, title and interest in the '286 Patent.

18. LIDs Capital, also a wholly-owned subsidiary of Double Rock, is the exclusive licensee of Island IP for the '286 Patent with respect to providing cash management services for broker dealers and asset managers.

19. Double Rock is a sublicensee of LIDs Capital for the '286 Patent with respect to providing cash management services for broker dealers and asset managers.

#### THE INFRINGING PRODUCTS

20. Upon information and belief, the Deutsche Defendants operate, within the United States, a money management program designated as the "Deutsche Bank Insured Deposit Program" ("Deutsche IDP").

21. Upon information and belief, TBS is a financial data processing company that offers its own insured deposit program which provides the computer and record keeping services for at least the Deutsche IDP.

22. Upon information and belief, the computer systems used with the Deutsche IDP use the methods claimed in at least Claim 1 of the '286 Patent.

23. The Deutsche Defendants do not have a license or other authorization from Island to practice the claims set forth in the '286 Patent.

24. Deutsche IDP competes directly with the broker dealer insured deposit products offered by Double Rock and LIDs Capital.



COUNT ONE

(Patent Infringement by the Deutsche Defendants)

25. The Island Plaintiffs incorporate by reference as if fully set forth herein the averments contained within Paragraphs 1-33 above.

26. The Deutsche Defendants have infringed at least Claim 1 of the '286 Patent, in violation of Title 35, United States Code section 271 through one of or more of the following: (1) the manufacture, use, sale, and/or offer for sale of the invention claimed in the '286 Patent; (2) the active inducement of another to infringe the '286 Patent; and/or (3) contributing to the infringement of the '286 Patent by another.

27. Unless enjoined by this Court, the Deutsche Defendants will continue their acts of infringement causing substantial and irreparable harm to the Island Plaintiffs.

28. The Island Plaintiffs are suffering and will continue to suffer damages as the direct and proximate result of the Deutsche Defendants' infringement of the '286 Patent.

29. The Island Plaintiffs are suffering and will continue to suffer irreparable injury as the direct and proximate result of the Deutsche Defendants' infringement of the '286 Patent.

PRAYER FOR RELIEF

WHEREFORE, the Island Plaintiffs request judgment against the Deutsche Defendants as follows:

A. That Defendants Deutsche Germany, Deutsche U.S. and TBS be held liable for infringement of at least Claim 1 of the '286 Patent.

B. That a permanent injunction issue against Defendants Deutsche Germany, Deutsche U.S. and TBS, their officers, agents, servants, employees, attorneys, parent and

subsidiary corporations, assigns and successors in interest, and those persons in active concert or participation with them, enjoining them from continued acts of infringement of the '286 Patent.

C. That the Court Order Defendants Deutsche Germany, Deutsche U.S. and TBS to pay to the Island Plaintiffs damages adequate to compensate the Island Plaintiffs for the acts of Defendants Deutsche Germany, Deutsche U.S. and TBS together with interest and costs, pursuant to 35 U.S.C. § 284.

D. That the Court award such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

30. The Island Plaintiffs hereby request a trial by jury.

Respectfully submitted,

AMSTER, ROTHSTEIN & EBENSTEIN LLP

By   
Charles R. Macedo (CM 4980)

Dated: New York, New York  
March 24, 2009

Of Counsel:

Anthony Lo Cicero (AL 7538)

Benjamin Charkow (BC 4455)

90 Park Avenue  
New York, New York 10016  
Tel.: (212) 336-8000  
Fax: (212) 336-8001

Attorneys for Plaintiffs  
Island Intellectual Property LLC,  
LIDs Capital, LLC and  
Double Rock Corporation

# Exhibit A



US007509286B1

(12) **United States Patent**  
**Bent et al.**

(10) **Patent No.:** **US 7,509,286 B1**  
(45) **Date of Patent:** **Mar. 24, 2009**

(54) **SYSTEMS AND METHODS FOR MONEY  
FUND BANKING WITH FLEXIBLE  
INTEREST ALLOCATION**

4,346,442 A 8/1982 Musmanno  
4,376,978 A 3/1983 Musmanno  
4,597,046 A 6/1986 Musmanno

(Continued)

(75) Inventors: **Bruce Bent**, New York, NY (US); **Bruce Bent, II**, New York, NY (US)

FOREIGN PATENT DOCUMENTS

(73) Assignee: **Reserve Management Corporation**,  
New York, NY (US)

JP 10049590 2/1998

(Continued)

(\*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 1368 days.

OTHER PUBLICATIONS

Anderson et al. "Retail Sweep Programs and Bank Reserves," Federal Reserve Bank of St. Louis Review, Bell & Howell Information and Learning Company, vol. 83, Issue 1, 24 Sheets, Jan. 1, 2001.

(21) Appl. No.: **10/411,650**

(Continued)

(22) Filed: **Apr. 11, 2003**

Primary Examiner—Jagdish N Patel

(74) Attorney, Agent, or Firm—Foley & Lardner LLP

#### Related U.S. Application Data

(63) Continuation-in-part of application No. 10/382,946, filed on Mar. 6, 2003, and a continuation-in-part of application No. 10/071,053, filed on Feb. 8, 2002, and a continuation-in-part of application No. 09/677,535, filed on Oct. 2, 2000, which is a continuation-in-part of application No. 09/176,340, filed on Oct. 21, 1998, now Pat. No. 6,374,231.

(60) Provisional application No. 60/372,374, filed on Apr. 12, 2002.

(51) Int. Cl. **G06Q 40/00** (2006.01)

(52) U.S. Cl. **705/39; 705/35; 705/38**

(58) Field of Classification Search **705/39, 705/35**

See application file for complete search history.

(56) **References Cited**

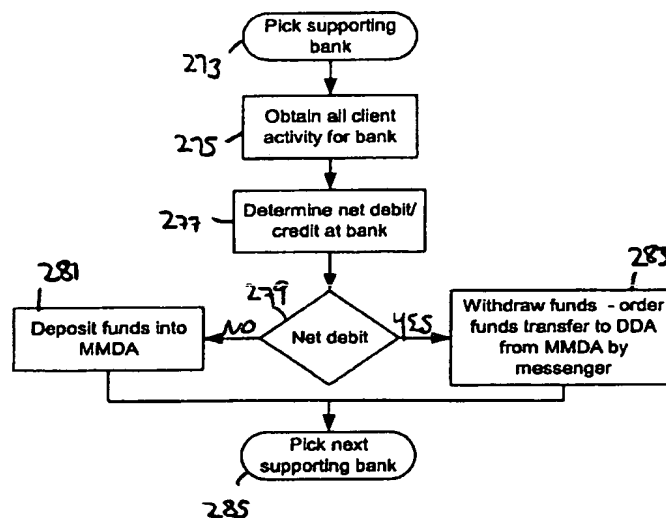
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4,232,367 A 11/1980 Youden et al.

(57) **ABSTRACT**

This invention provides system and methods for managing accounts of clients at customer financial entities so that deposits of up to \$100,000 or greater are insured, so that interest income earned on a portion of all of the account balances may be flexibly allocated according to customer instructions, and so that withdrawals are not limited. These objects are satisfied by holding client funds at interest-earning money market deposit accounts at one or more banks of savings institutions. More particularly, this invention provides methods for receiving client transaction information, determining a net transfer of funds into or out of each client account from transaction information, causing transfer of funds from the insured, interest-bearing deposit accounts to match the net transfer of funds into or out of each client account, and allocating interest earned by the deposit accounts to clients according to customer instructions. This invention also provides systems and software products implementing these methods.

**18 Claims, 5 Drawing Sheets**



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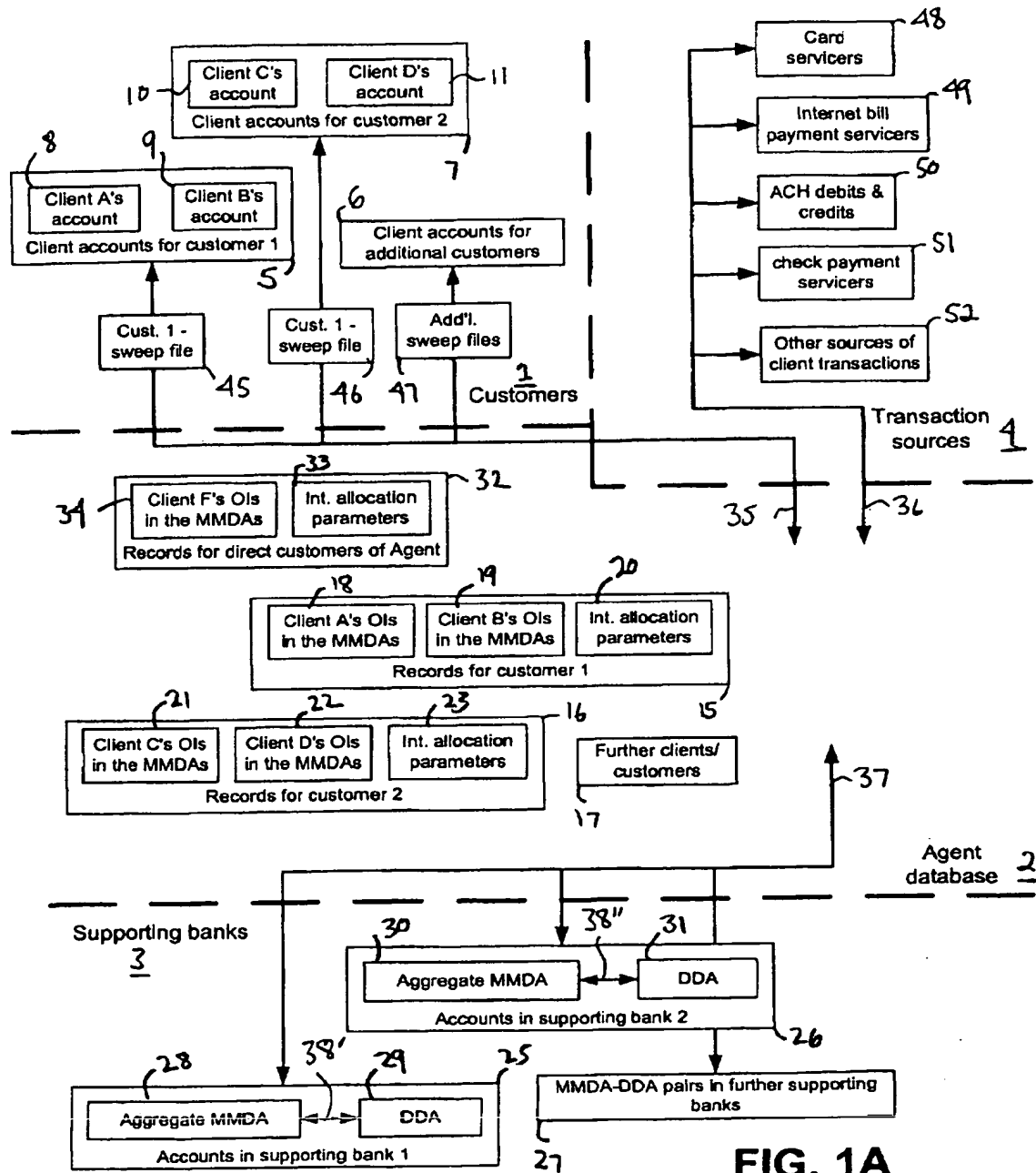


FIG. 1A



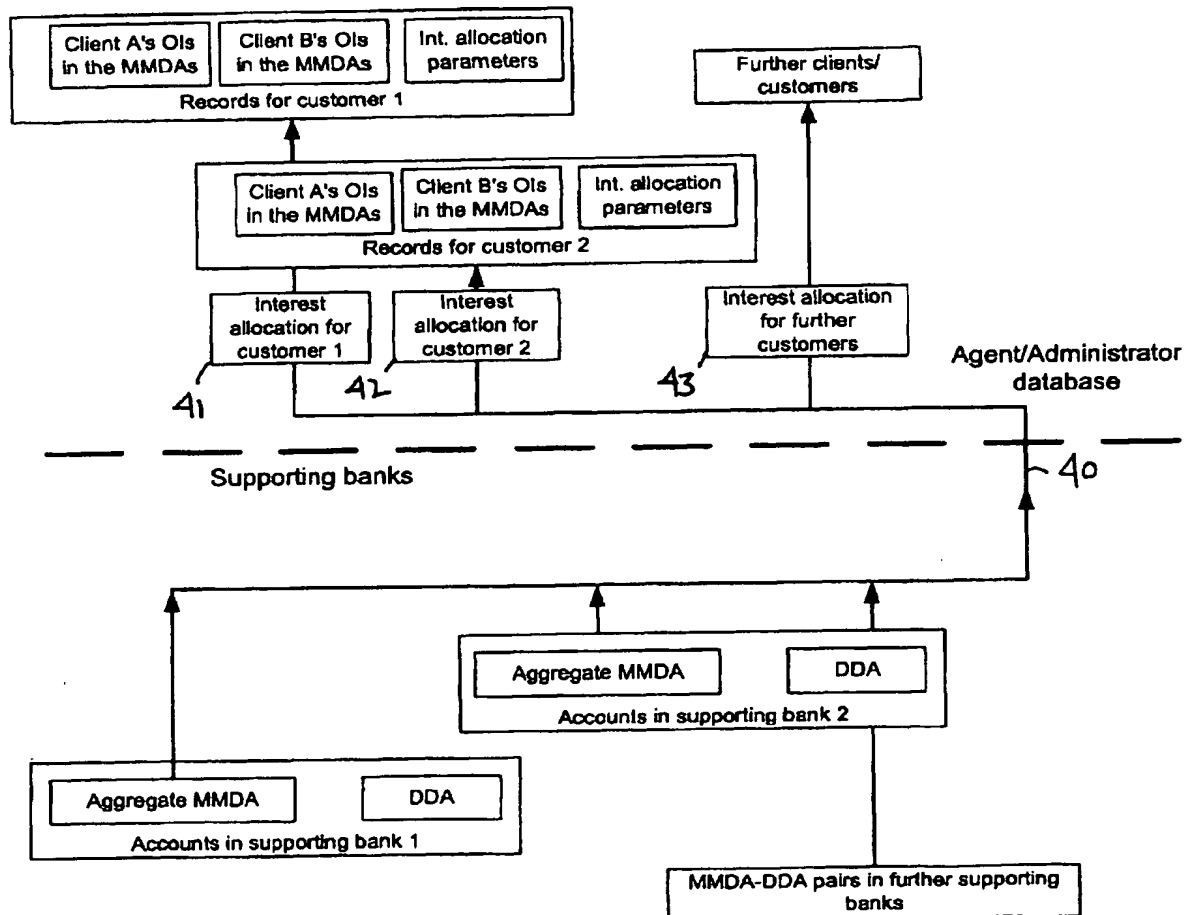
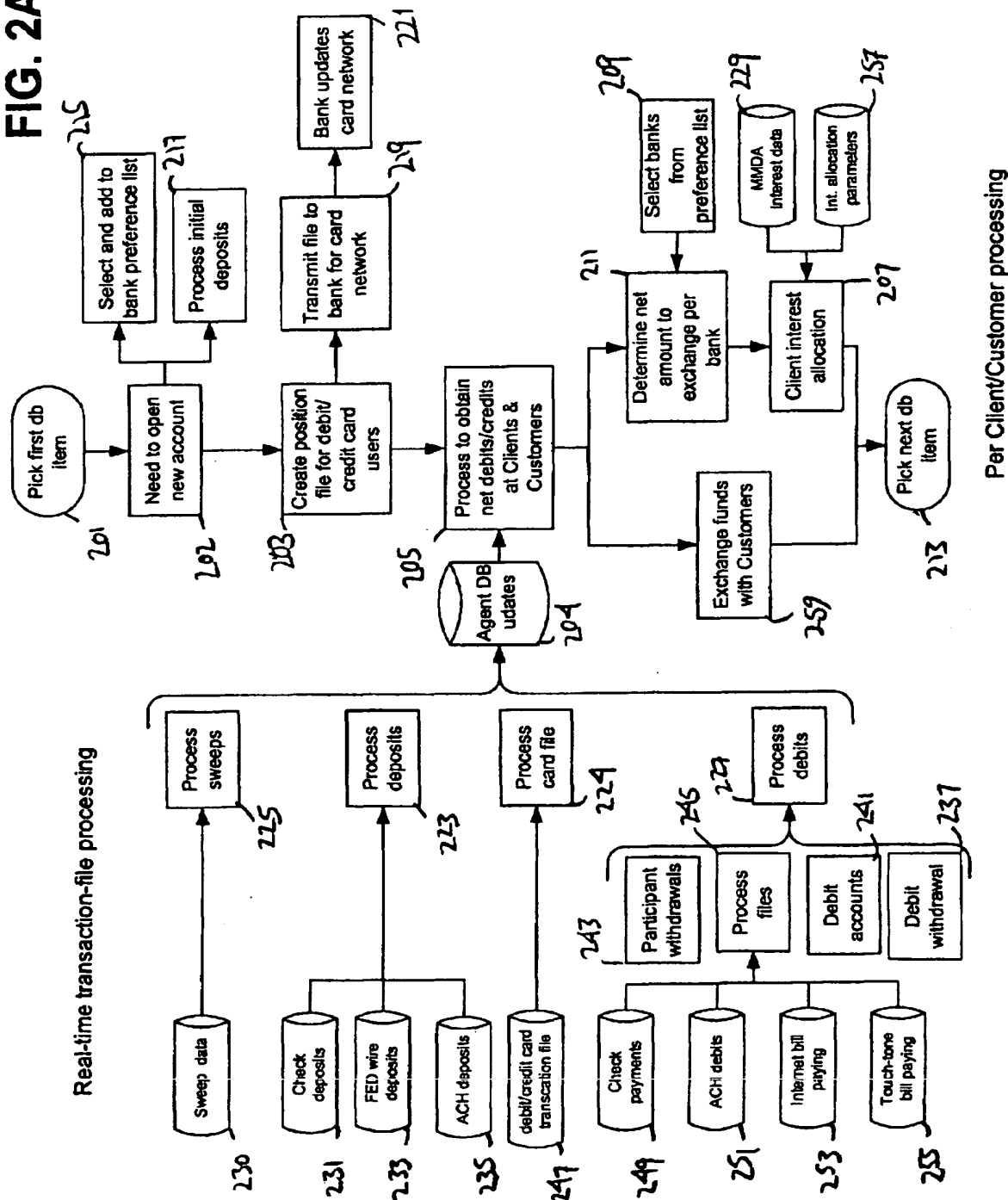
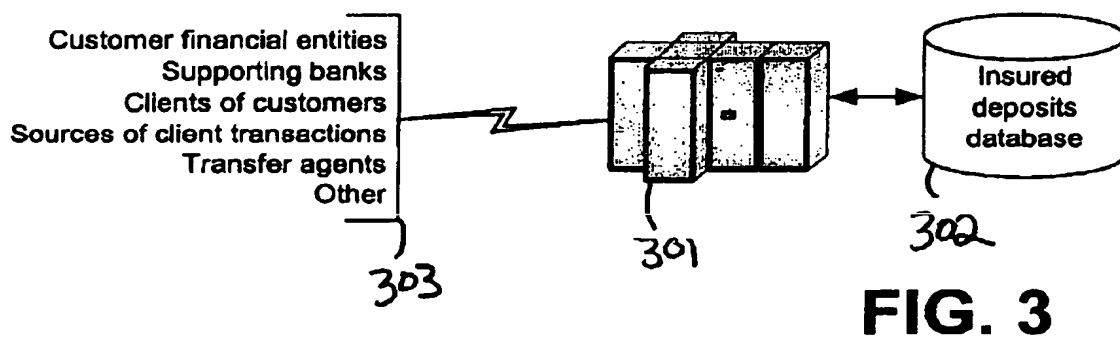
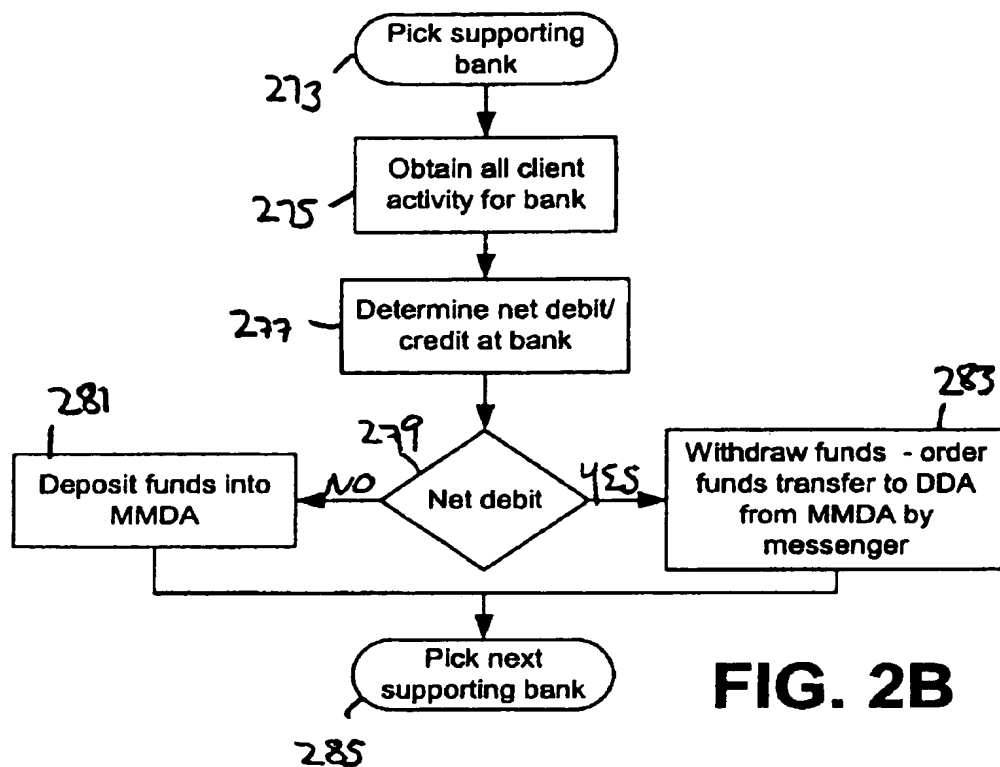
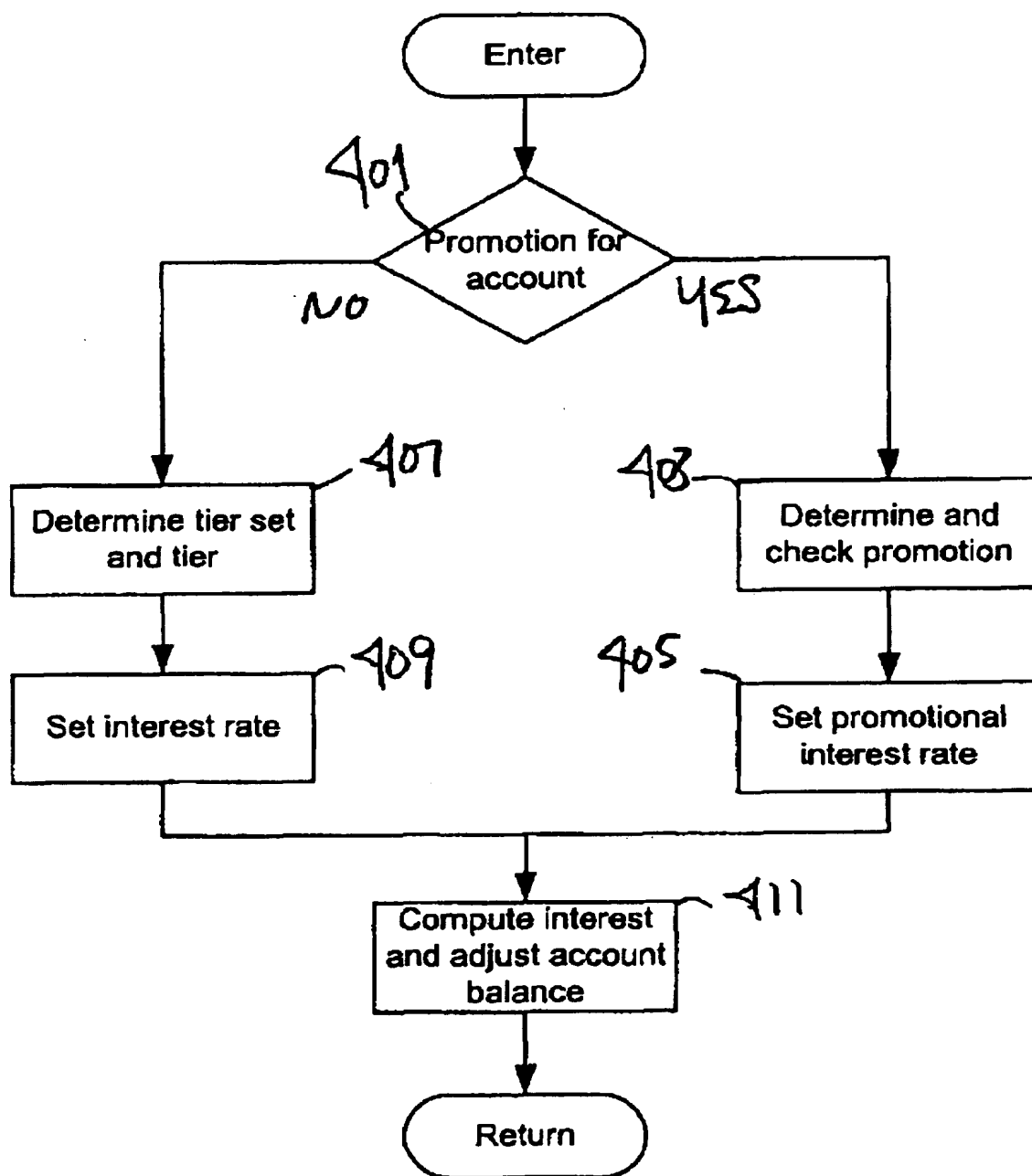


FIG. 1B

**FIG. 2A**





**FIG. 4**

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## SYSTEMS AND METHODS FOR MONEY FUND BANKING WITH FLEXIBLE INTEREST ALLOCATION

### 1. RELATED APPLICATIONS

This application is a continuation-in-part of patent applications: Ser. No. 09/677,535, filed on Oct. 2, 2000, Ser. No. 10/071,053, filed Feb. 8, 2002, and Ser. No. 10/382,946 filed Mar. 6, 2003 entitled SYSTEMS AND METHODS FOR PROVIDING ENHANCED ACCOUNT MANAGEMENT SERVICE FOR MULTIPLE BANKS; all these applications are continuations-in-part of patent application Ser. No. 09/176,340, filed on Oct. 21, 1998, now U.S. Pat. No. 6,374,231. This application claims the priority of Ser. No. 09/677,535, filed on Oct. 2, 2000, Ser. No. 10/071,053, filed Feb. 8, 2002, Ser. No. 10/382,946 filed Mar. 6, 2003 and provisional patent application 60/372,374, filed Apr. 12, 2002.

### 2. BACKGROUND OF THE INVENTION

#### 2.1. Field of the Invention

It would be desirable if depositors and investors could obtain FDIC insured, interest-bearing accounts with interest rates that can be flexibly assigned, with an unlimited number of fund transfers per month, and with insurance that may exceed \$100,000. However, account offerings in the United States ("US") are limited by statutes generally codified as Title 12 of the United States Code ("U.S.C.") (Banks and Banking). These statutes and accompanying regulatory scheme limit investors and depositors seeking investments and deposits having a lower risk profile to a rather limited selection of choices, all of which suffer inhibiting constraints.

#### 2.2. Background Art

More specifically, 12 CFR 329.2 states that "no bank shall, directly or indirectly, by any device whatsoever, pay interest on any demand deposit." A "deposit" is any money placed into a checking account, savings account, Certificate of Deposit (CD), or the like. In a "demand" account, the owner can make an unlimited number of funds transfers to another account (having the same or a different owner), or to a third party, typically by bank drafts, checks, credit cards, and debit cards. In essence, an account in which a depositor has the ability to make at least six transfers will be deemed a demand account and no interest will be payable on the funds therein (unless the funds are held in a NOW account under 18 U.S.C.1832(a)). Therefore, owners of demand accounts are denied interest on their funds.

The rules governing insurance of deposits in institutions insured by the BIF and the SAIF are the same. In particular, according to 12 U.S.C. § 1821(a), the FDIC limits insurance coverage provided to the owners(s) of funds deposited in each insured institution to \$100,000, and bases insurance coverage on the concept of ownership rights and capacities, that is, funds held in different ownership categories are insured separately from each other; and funds owned by the same entity but held in different accounts at the same financial entity are subsumed under the same insurance coverage.

One or more of these objects are satisfied by systems and methods structured according to a novel and creative combination of certain of financial-entity and bank regulations first noticed and assembled by the inventors. First, although accounts that require withdrawal notice are not demand accounts and therefore may earn interest, certain accounts not requiring withdrawal notice may still be deemed "savings accounts" and capable of earning interest. For example, an account that does not require withdrawal notice (but may so

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require at any time) is nevertheless a savings account if no more than six transfers and withdrawals are made monthly. In particular, 12 C.F.R. § 204.2(d)(1) (underlining added) states:

Therefore, the inventors have conceived and implemented arrangements whereby a single corporation, partnership, or other legal person (generally, "entity") acts as an agent of numerous individuals or other ownership interests (for example, joint ownership, ownership in trust (such as individual retirement accounts, and other legally established savings mechanisms), and so forth) to manage the funds of each ownership interest in the aggregate MMDAs in one or more Supporting financial entities so that each ownership interest's funds earn interest while remaining FDIC insured with insurance up to \$100,000 per each participating Supporting banking financial entity. Further, each Supporting financial entity, such as a bank or a saving institution, holds a single MMDA that is paired with a single corresponding DDA in the same name so that each ownership interest's use of managed funds is not limited.

To accomplish these and other objectives, this invention provides systems and methods for managing a plurality of Clients of one or more Customer financial entities by administering at one or more Supporting financial entities, such as banking or savings institutions, an FDIC-insured MMDA (money market deposit account) maintained at each participating Supporting financial entity in which are held some or all of the funds in the managed Client accounts, and for managing an Agent database recording the financial information describing the managed Client balances, Client information for each Client's account, Customer information for each Customer financial entity, financial information describing each aggregate MMDA held at a Supporting financial entity, and information for each Supporting financial entity. Where Client funds are held across more than one MMDA, the funds may be insured to more than \$100,000. For example, if they are held in two (or three, or four) MMDAs (each MMDA held in a different Supporting financial entity), then insurance may be \$200,000 (or \$300,000, or \$400,000).

In certain embodiments, where the Agent has a single MMDA-DDA pair in which all Agent-managed Client funds are held, Client liability insurance is limited to \$100,000. In other embodiments, where it is preferable to provide Clients with more than \$100,000 of insurance, the Agent has two or more MMDA-DDA pairs, each pair in a different Supporting financial entity, and it manages Client funds so that each Client's ownership interest at any one Supporting financial entity never exceeds \$100,000. For example, when a Client's balance exceeds \$90,000 (or some other operational threshold not greater than \$100,000) in the aggregate MMDA at a particular Supporting financial entity, excess funds are automatically moved to a MMDA at a second Supporting financial entity. Although, Client funds may be from time-to-time be deposited at several Supporting financial entity, the accounting for these funds is preferably consolidated so that the multiple MMDAs are transparent to the investor. All Client funds exchanges and transactions may then post to a single Client account on the Agent database although the balances in this account may spread across multiple MMDAs held at multiple Supporting financial entities (represented as sub-accounts of the single Client account).

In a preferred embodiment, the functional relationship determining interest rate (for a particular Customer financial entity) is implemented largely with one or more interest rate tables. An interest rate table is known herein as a "tier set," which has one or more rows, known as "tiers." Each tier, or row, specifies at least a range for a selected, primary account characteristic along with the interest rate to be assigned to

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accounts when their selected characteristic is in the specified range. For example, where the selected characteristic is account balance, a tier set preferably includes tiers such that whatever its balance an account is assigned some interest rate (almost always, the higher the balance, the higher the assigned interest rate). One of skill in the art will appreciate that a selected functional relationship of account characteristics to interest rate may be implemented by a many tier sets. Because the relation between interest rate determination and tier sets is not unique, what is fundamental is the functional relation determining interest rate; a particular tier set is simply one expression of the fundamental functional relation specified by the Customer financial entity.

In one aspect of this embodiment, the Agent provides interest rates that vary as the amount of managed balances vary, generally the higher the balance, the higher the interest rate. The Agent database stores sets of tables referred to as "tier sets," each table returns interest rates (or a relative interest rate) as a function of the managed balance in a Client's account. During the process of interest allocation for a Client account, the Agent retrieves the tier set for a particular Client account, and applies the correct tier to the managed account balance to return an interest rate according to which the interest income is credited to the Client's account balance. The tier set for a particular Client account may be chosen according to information and flags stored as part of the Client information on the Agent database. The tier sets, tiers, and information for selecting tier sets and tiers may be provided by the Customer financial entity.

In a concrete preferred embodiment, a Customer financial entity, such as a broker/dealer, an investment advisor, a credit union, or other financial entity, may wish to pay higher interest rates to accounts with larger balances because they are usually more profitable than accounts with smaller balances, and may also wish to run interest rate promotions from time-to-time. Accordingly, this Customer financial entity may specify a tier set with a base tier set applicable to all its Clients in the absence of further indication in the account. Typically, a base tier set leads to the same interest rate for all account balances (for example, by having a single tier). The tier set would also have a standard tier set (or more than one) leading to increasing interest rates with increasing balances. Finally, there would be one or more promotional tier sets that determines the promotional interest rates. The promotion tier set may also include time information. For example, all Client accounts opened from April 1<sup>st</sup> through June 30<sup>th</sup> earn 5%, but after June 30<sup>th</sup> all accounts in the tier group will default to a tier set that determines interest rates based on the balance in the account. Alternatively, the promotional tier set may specify that each account has an individual promotional period. For example, an account may earn a promotional rate for the first 60 days after it is opened at the Customer financial entity. On the 61<sup>st</sup> day, the account will default to a standard.

As illustrated, the Agent is generally central in these information and funds exchanges, receiving and processing transaction data and then causing necessary funds transfers.

The Agent database also preferably additionally stores records describing and representing the Customer financial entities, such as records 15 and 16. These stored records represent at least Customer financial entity identification and such other information as the Agent needs to manage the Customer financial entity's Clients, including importantly parameters provided by the Customer financial entity to guide interest allocation. Thus the records describing Customer financial entity 1, records 15, include its interest allocation parameters and instructions 20, and those for Customer financial entity 20, records 16, include its interest allocation

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instructions 23. Where interest is allocated according to tier sets and tiers, the interest allocation records described the Customer-financial-entity-defined balance balance-tiers and associated interest rate, both of which may be changed by the Customer financial entity from time-to-time. Although FIG. 1A illustrates all the records for the individual Customer financial entities being grouped together, actual implementation of the Agent database may organize and physically store records in any manner convenient.

### 3. SUMMARY OF THE INVENTION

#### 3.1 Objects of the Invention

To meet statutory and regulatory requirements, the Agent provides Clients through the Customer financial entities with information describing their accounts and their transactions held on the Agent's database. The Customer financial entity may decide to incorporate this account information into their statements to the client, or to have the Agent produce a separate statement. Thus, all activity sweeps, checks written debit/credit card transactions, and so forth appear in the account in the Clients' accounts as well as in the sub-accounts for the Clients when more than one supporting financial entity is used to provide FDIC insurance over \$100,000. Although detail of these sub-accounts may or may not be reported to the client (at the option of the Customer financial entity), the Agent preferably provides the Clients at least with the balances held in each pooled MMDA at each Supporting financial entity.

Next, Client funds for which the Agent is responsible are managed at one or more Supporting banks (financial entities) 25, 26, and 27 in a manner to both qualify for FDIC insurance, limited to \$100,000 per individual beneficial interest per Supporting financial entity, to earn interest, and to permit unlimited withdrawals. To satisfy regulatory requirements, each Supporting financial entity holds a pair of accounts, one account being an interest bearing money market deposit account (MMDA) in which all Client funds are deposited, and the other account being a demand deposit account (DDA) registered in the identical name as the first account (ex., "Administrator as agent for Clients"). For funds transfers from Supporting financial entities, the Agent, first, provides instructions to a messenger who personally requests the withdrawal from the MMDA to the associated DDA in a Supporting financial entity. Funds may be then wired from the DDA out of the Supporting financial entity by the Agent to cover client withdrawals from various sources. Transfer into the pooled MMDA may be direct or through the pooled DDA as dictated by operational convenience. As illustrated, Supporting bank 25 has linked MMDA 28 and DDA 29 between which the Agent exchanges funds 38'. Similarly, the Agent exchanges funds 38" between MMDA 30 and DDA 31 in Supporting bank 26.

Another important source of transactions are sweep transactions received in sweep file forwarded from the Customer financial entities. Where Client transactions made at a Customer financial entity in a certain period generate net credits, the Customer financial entity may sweep excess Client funds to the Agent. In case of the converse, where Client transactions generate net debits at the Customer financial entity, this entity may request funds from the Agent to cover such debits. Alternately, funds may be swept to or from the Agent when funds in Client accounts at Customer financial entities exceed or fall below, respectively, a desired or target minimum balance, which may be the same for all the Customer financial entity's clients, or may vary among the Clients. Sweep files

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may optionally also provide summary or detailed information on the subject Client transactions. The Agent also processes sweep files in real-time to update the net credits and debits and for each Customer financial entity (for each Client if the sweep file contains the necessary information).

Concerning sweep file 230 and its processing at 225, data in the sweep files result from a Customer financial entity's processing of Client debit and Client credit transactions received against this account in most recent complete period. For example, a Customer financial entity processes all Client transactions for the previous, ex., twenty-four hour period to generate the sweep file made available in the current twenty-four hour period. For broker/dealers, for example, these transactions would typically result from Client securities purchases or sales. This file is processed at 225 by the Agent to store the data by Client and Customer financial entity, to accumulate net debits or net credits by Client and Customer financial entity.

Interest earned by the MMDA accounts 229 is a further source of funds for Client accounts. This interest accrues daily and is posted monthly in the MMDA at the Supporting financial entities and then in the Clients accounts. Interest allocation is performed as previously described in dependence on interest allocation parameters 257 usually supplied from time-to-time by the Customer financial entities.

The above account management processing, including interest allocation, is performed on Agent computer systems programmed to carry out the above methods. FIG. 3 illustrates exemplary systems that are configured from standard commercial-grade components, for example, mainframe-type system 301 coupled to data storage 302 for the Agent databases, here illustrated as the "insured deposits database." A typical processor may be from IBM using an OS/390 or MVS/ESA operating system or the equivalent; a typical database system may be DB2 from IBM or the equivalent, such as products from Oracle Corp.

The above-described elements of this invention relationships may be "packaged" variously to meet the needs of various Customer financial entities. In one embodiment, one Customer financial entity is linked to one Supporting financial entity, so that client accounts may be provided with up to \$100,000 of FDIC insurance along with interest and unlimited withdrawals. In a second embodiment, one Customer financial entity is linked to more than one independent, Supporting financial entity so that its clients may receive more than \$100,000 of FDIC insurance.

In a third embodiment, a Customer financial entity which is a bank or savings institution may wish to retain all Client funds on its own books so that they may be available for its normal financial activities. This is accommodated by having the Agent managed MMDA-DDA pair (or pairs) be held at the Customer financial entity. Otherwise, the Agent systems and methods are as described above. In this embodiment, Client insurance is limited to \$100,000. In such an embodiment, the ownership interests managed by the Agent and recorded on its database may be advantageously realized as separate Client accounts at the Customer financial entity (referred to as a "return sweep account"). Then, a Client will have two accounts, one on the books of the Customer financial entity, for example, a Client demand deposit account, and a second account held on the books of the Agent, a return sweep account. The Agent then manages fund exchanges between

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these accounts so that the funds of all Client return sweep accounts are held in the managed MMDA-DDA pairs.

### 3.2 Regulatory Environment of the Invention

These prior-art problems are satisfied by systems and methods structured according to a novel and creative combination of certain of financial-entity and bank regulations first noticed and assembled by the inventors. First, although accounts that require withdrawal notice are not demand accounts and therefore may earn interest, certain accounts not requiring withdrawal notice may still be deemed "savings accounts" and capable of earning interest. For example, an account that does not require withdrawal notice (but may so require at any time) is nevertheless a savings account if no more than six transfers and withdrawals are made monthly. In particular, 12 C.F.R. § 204.2(d)(1) (underlining added) states:

The term savings deposit also means: A deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or as a money market deposit account (MMDA) . . . from which . . . the depositor is permitted or authorized to make no more than six transfers and withdrawals . . . per calendar month or statement cycle . . . to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction, and no more than three of the six such transfers may be made by check, draft, debit card, or similar order made by the depositor and payable to third parties.

However, the precise types of the transfer or withdrawal transaction are critical. An unlimited number of deposits into a savings account is always allowed, and an unlimited number of withdrawals is also allowed if they are of certain limited types. Importantly, 12 C.F.R. § 204.2(d)(2) (emphasis added) states:

Such an account is not a transaction account by virtue of an arrangement . . . that permits transfers of funds from this account to another account of the same depositor at the same institution . . . when such transfers or withdrawals are made by mail, messenger, automated teller machine, or in person . . .

Taken together, therefore, an unlimited number of transfers may be made between a deposit account, that is interest-earning, and a transaction account, that permits an unlimited number of withdrawals of any type, if both accounts are in the same institution, if both accounts are in the same name, and if the transfers are made by messenger. These transfers may be into or out of the interest-earning account, which in the following will be generally be referred to as a money market deposit account ("MMDA")

Second, the \$100,000 liability limitation on FDIC insurance is not determined on a per-account basis, but instead on a per-insured-institution basis, and moreover, applies to all the beneficial ownership interests that a particular ownership category (for example, a particular individual) has in the insured institution, however the accounts or instruments in which these interests are held are actually denominated. Specifically, 12 U.S.C. § 1821(a)(1)(C) states the following (emphasis added):

For the purpose of determining the net amount due to any depositor under subparagraph (B), the [FDIC] shall aggregate the amounts of all deposits in the insured depository institution which are maintained by a depositor in the same capacity and the same right for the benefit

of the depositor either in the name of the depositor or in the name of any other person.

Without affecting the FDIC liability limit, ownership interests of a particular ownership category may be spread in several accounts or CDs in a single bank or may be held in a single third-party-managed account along with the funds of other ownership interests.

Therefore, the inventors have conceived and implemented arrangements whereby a single corporation, partnership, or other legal person (generally, "entity") acts as an agent of numerous individuals or other ownership interests (for example, joint ownership, ownership in trust (such as individual retirement accounts, and other legally established savings mechanisms), and so forth) to manage the funds of each ownership interest in the aggregate MMDAs in one or more Supporting financial entities so that each ownership interest's funds are earned interest while remaining FDIC insured with insurance up to \$100,000 per each participating Supporting banking financial entity. Further, each Supporting financial entity, such as a bank or a saving institution, holds a single MMDA that is paired with a single corresponding DDA in the same name so that each ownership interest's use of managed funds is not limited.

A major advantage of the inventors' combination is that funds can be managed for any type of client (for example, individual, business entity, governmental entity), because there are no limitations on the type of depositor in a MMDA. Already known account management methods, require an individual account for each participating client resulting in hundreds (or even thousands) of separate accounts at supporting financial entities. Further, where these are NOW accounts, the type of client is limited by Federal banking law.

Further, since many such ownership interests hold their funds in broker/dealers, savings institutions, credit unions, or other financial entities, it is preferable that the agent entity interface to these funds-holding financial entities, and act as their agent where necessary, for the movement of managed funds between these institutions and the managed MMDA-DDA pairs. Additionally, the agency role of the agent entity also extends to a record-keeper function to a greater or lesser degree depending on the Customer financial entity. The Agent then also receives and processes account transaction information generated by all manner of financial instruments and payment vehicles, as well as simply managing the above funds transfers.

The processing for carrying out such funds management as well as any record-keeping functions is implemented by the systems and methods described in the following, where the following terms are used with the indicated meanings:

"Agent", or "Administrator/agent", or "Administrator": collectively refer to the agent entity having an agency (or trustee, or contractual, or other legal) relationship with the individual ownership interests for which it manages funds and (optionally) with the financial institutions or entities where these funds are held.

"Customer financial entity" or "Customer": collectively refer to these financial institutions or financial entities (such as broker/dealers, Investment Advisors, savings institutions, credit unions, and the like) whose client have ownership interests in the one or more deposit accounts managed by the Agents.

"Client of a Customer financial entity" or "Client": collectively refer to the ownership interests that have deposited agent-managed funds at Customer financial entities; the types of Client deposits may be, for example, individual accounts, joint accounts, trust accounts, profit or non-profit

corporations, limited liability corporations, partnerships or other forms of business entities, government agencies, municipalities, ERISA accounts, non-US accounts, and the like.

"Client account": refers to the accounts in the Customer financial entities where Clients hold the funds that are managed by Agent.

"Supporting financial entity": refers to those financial entities, preferably such as banks and savings institutions, where the MMDA-DDA pairs are held by the Agent, with the MMDA being interest earning and FDIC insured (If Supporting financial entities are referred to in the following as Supporting banks, no limitations is intended.)

These terms refer to roles, and the use of different names does not imply that separate roles must be played by separate entities. For example, in certain embodiments, the Customer financial entity may be its own Supporting financial entity, or may be commonly controlled with its Supporting financial entity. In certain embodiments, the Agent itself may accept funds from its own Clients, and thus also have the role of a Customer, or the Agent may be commonly controlled with a financial entity that accepts funds and has a Customer role.

### 3.3 Systems and Methods of the Inventions

To accomplish these and other objectives, this invention provides systems and methods for managing a plurality of Clients of one or more Customer financial entities by administering at one or more Supporting financial entities, such as banking or savings institutions, an FDIC-insured MMDA (money market deposit account) maintained at each participating Supporting financial entity in which are held some of all of the funds in the managed Client accounts, and for managing an Agent database recording the financial information describing the managed Client balances, Client information for each Client's account, Customer information for each Customer financial entity, financial information describing each aggregate MMDA held at a Supporting financial entity, and information for each Supporting financial entity. Where Client funds are held across more than one MMDA, the funds may be insured to more than \$100,000. For example, if they are held in two (or three, or four) MMDAs (each MMDA held in a different Supporting financial entity), then insurance may be \$200,000 (or \$300,000, or \$400,000).

The Agent also acts as a record keeper for Customer financial entities by directly processing Client deposit and withdrawal transactions in each managed Client account. Processed transactions may be received directly from a wide array of sources (transaction sources). For example, for Client accounts, deposits may be received by means of various electronic and hand delivery systems, and payments may be tendered by means of various financial instruments and payment vehicles, all without limitation as to the number of transfers while interest is earned on the managed, insured Client funds. Optionally, the debiting of funds from each of the client accounts may be monitored, and debits may be authorized or rejected based upon the Client's account balance. In this embodiment, the Agent also maintains on its database records of processed Client transactions (Client deposit and withdrawal transactions), as well as financial information describing the funds managed for each Client and deposited in a MMDA at various Supporting financial entities.

In more detail, the Agent manages in each Supporting financial entity (bank or saving institution) an aggregate money market deposit account (MMDA) and an aggregate demand deposit account (DDA), both being in the identical



name of the agent for its principals (referred to herein as an "MMDA-DDA pair"). In response to Client deposit and withdrawal transactions stored on the Agent's database, the Agent initiates transfers of funds between the MMDA-DDA pairs, so that if the aggregate deposits of all Clients exceed the aggregate client withdrawals (net Client credit), then all or some of the funds are deposited in the MMDA at the Supporting financial entity, and conversely if client withdrawals exceed client deposits (net Client debit) the Supporting financial entity will be instructed by messenger to transfer funds from the aggregate MMDA to the DDA.

The MMDAs are interest-bearing, insured deposit accounts, collectively in which the managed balances for all Clients of the Agent are deposited. The DDAs, which are deposit accounts permitting an unlimited number of deposits and withdrawals, serve to facilitate the exchange of funds between the MMDAs, the Customer financial entities, and sources of Client transactions (referred to herein as "transaction sources"). If the Agent determines that it is necessary to move funds from a particular MMDA (at a particular Supporting financial entity or bank), it first causes a messenger to have these funds transferred from the MMDA to the DDA member of the MMDA-DDA pair, and second, causes the funds in the DDA to be moved to the Agent's own account or accounts. Then, from the Agent's own accounts, funds may be further transferred to a 3<sup>rd</sup> party, such as a transaction source or a Customer financial entity (preferably by electronic or other automatic means). If funds are to be moved into a particular MMDA, the Agent either may have them deposited into the associated DDA and then moved into the MMDA, or may have them deposited directly into the MMDA. The Agent database is updated to reflect these funds transfers.

In certain embodiments, where the Agent has a single MMDA-DDA pair in which all Agent-managed Client funds are held, Client liability insurance is limited to \$100,000. In other embodiments, where it is preferable to provide Clients with more than \$100,000 of insurance, the Agent has two or more MMDA-DDA pairs, each pair in a different Supporting financial entity, and it manages Client funds so that each Client's ownership interest at any one Supporting financial entity never exceeds \$100,000. For example, when a Client's balance exceeds \$90,000 (or some other operational threshold not greater than \$100,000) in the aggregate MMDA at a particular Supporting financial entity, excess funds are automatically moved to a MMDA at a second Supporting financial entity. Although, Client funds may be from time-to-time be deposited at several Supporting financial entity, the accounting for this funds is preferably consolidated so that the multiple MMDAs are transparent to the investor. All Client funds exchanges and transactions may then post to a single Client account on the Agent database although the balances in this account may spread across multiple MMDAs held at multiple Supporting financial entities (represented as sub-accounts of the single Client account).

The agent also maintains sub-accounts which are attached to the client account on the Agent's database. Each sub-account represents the Client's ownership in the MMDA at the Supporting financial entities. Alternatively, the Agent may generate statements and reports for the Client showing the sub-accounts where the Client's funds are actually held and in which Supporting financial entity individual transactions occurred.

At the time a Client commences using Agent services (or, alternatively, opens a managed account with the Agent associated with an account at a Customer financial entity), the Client is given the option to choose a preferred Supporting financial entity, to chose a list of preferred Supporting finan-

cial entities in a desired (or random) order of preference, to exclude one or more Supporting financial entities, and the like. The Client may also select the order of preference for deposits and withdrawals. The Agent will then exchange funds with aggregate MMDAs on the Client's behalf, each at a different Supporting financial entity, according to the Client-supplied preferences. In the event that the Client does not supply preferences for the Supporting financial entities, the Agent may automatically designate a list of preferred Supporting financial entities (for example, as a default). Preferences for Supporting financial entities are preferably stored in the Agent database in association with Client's account information, and will be retrieved to determine which Supporting financial entity should accept or provide funds for each net Client credit or debit. Note, that the Agent automatically groups together transactions for each Supporting financial entity, and at the end of the business day, the funds are transferred either to the MMDAs or from the MMDAs via the DDA at the various Supporting financial entities. The transfer to or from the MMDA is the net transaction for all activity that occurred that day.

For example, a Client may open an Agent-managed account with \$170,000, and may also indicate that these funds should be held in Supporting financial entity A and Supporting financial entity C with Supporting financial entity C preferred. Then \$90,000 (or some other threshold) would be deposited into Supporting financial entity C and \$80,000 into Supporting financial entity A. If a check were written or if the Client investor chose to redeem funds directly, the withdrawals would be made first from Supporting financial entity A. Withdrawals would not be made from Supporting financial entity C until all funds had been redeemed from Supporting financial entity A. Similarly, if the Client chose Supporting financial entity C as preferred, and chose to exclude Supporting financial entity B, then \$90,000 would be deposited into Supporting financial entity C and \$80,000 into Supporting financial entity A.

Because the systems and methods of this invention seek to minimize risk as much as possible for its Clients and Customer financial entities, the Agent may choose a deposit cap for each of the multiple Supporting entities. For example, it is preferred that the Agent's total deposits at a Supporting financial entity are preferably no more than 10% of the total deposits at the Supporting financial entity (less preferably, no more than 20%; and much less preferably, no more than 30%). For example, if the total deposits at a particular Supporting financial entity are \$1,000,000,000, then the Agent's total deposits at that entity are preferably no more than 10% of this amount or \$100,000,000 (less preferably, no more than \$200,000,000; and much less preferably, no more than \$300,000,000).

The Client may also choose a deposit cap for each of the multiple Supporting financial entities selected, or can specify deposit caps for default Supporting financial entities chosen by the Agent. Of course, the Client may also specify that all funds be held in a single Supporting financial entity, even if the amount exceeds \$100,000 (insurance being limited to \$100,000 in this case). The Agent may generate statements and reports for the Client either showing only all of the managed assets and transactions as a single account, or also showing the sub-accounts where the Client's funds are held and in which Supporting financial entity transactions occurred.

In these embodiments, therefore, a Clients may earn interest on balances being managed by the Agent. These managed

funds will be FDIC insured up to \$100,000 per Supporting financial entity and with no withdrawal limits.

### 3.4 Flexible Interest Allocation

Importantly, the Agent provides the ability to flexibly allocate interest income earned by the MMDAs to each Client in a manner specified by the Customer financial entities. Generally, the Agent distributes all the interest or a portion of the interest (the remainder being applied to Agent fees) accrued by the MMDAs to individual Clients having ownership interests in the MMDAs by allocating this interest to the Agent-managed balances of these Clients. Although interest may be distributed by default in proportion to each Client's ownership interest in the MMDAs, it is more preferably for the Agent to distribute the interest as specified by the Customer financial entities. For example, each Customer financial entity may specify methods of interest allocation for its own Clients. This feature allows a Customer financial entity to relatively reward or penalize certain types of accounts in accordance with that Customer financial entity's management or marketing objectives.

Generally, a Customer financial entity specifies interest allocation methods to the Agent by providing parameters that determine a functional relationship between one or more characteristics of a Client account and an interest rate used to compute interest income on the Client's balances. Interest rate may depend on a wide variety of Client-account characteristics, such as, for example, Agent-managed balances, total Client balances at the Customer financial institution, date the Client account was opened, duration the Client has transacted business with the Customer financial entity, address of the Client account, Customer policies and promotions, and so forth. The actual functional relationship between interest rate and such Client characteristics, its parameterization, and its implementation in the Agent systems and methods may be virtually limitless. However, since the variable interest allocation is generally intended to motivate desirable Client behavior measured by one or a few key account characteristics, the interest rate will usually increase (or decrease) monotonically in dependence on the few key characteristics.

In a preferred embodiment, the functional relationship determining interest rate (for a particular Customer financial entity) is implemented largely with one or more interest rate tables. An interest rate table is known herein as a "tier set", which has one or more rows, known as "tiers". Each tier, or row, specifies at least a range for a selected, primary account characteristic along with the interest rate to be assigned to accounts when their selected characteristic in the specified range. For example, where the selected characteristic is account balance, a tier set preferably includes tiers such that whatever its balance an account is assigned some interest rate (almost always, the higher the balance, the higher the assigned interest rate). One of skill in the art will appreciate that a selected functional relationship of account characteristics to interest rate may be implemented by a many tier sets. Because the relation between interest rate determination and tier sets is not unique, what is fundamental is the functional relation determining interest rate; a particular tier set is simply one expression of the fundamental functional relation specified by the Customer financial entity.

In one aspect of this embodiment, the Agent provides interest rates that vary as the amount of managed balances vary, generally the higher the balance, the higher the interest rate. The Agent database stores sets of tables referred to as "tier sets", each table returns interest rates (or a relative interest rate) as a function of the managed balance in a Client's

account. During the process of interest allocation for a Client account, the Agent retrieves the tier set for a particular Client account, and applies the correct tier to the managed account balance to return an interest rate according to which the interest income is credited to the Client's account balance. The tier set for a particular Client account may be chosen according to information and flags stored as part of the Client information on the Agent database. The tier sets, tiers, and information for selecting tier sets and tiers may be provided by the Customer financial entity.

In another aspect, a Customer financial entity would define its interest allocation with two or more tiers forming a tier set, where the tiers are indexed by additional account characteristics. Then, given a particular Client account, a particular tier in the tier set would be selected according to the additional account characteristics, and the interest rate determined from the particular tier according to the primary characteristic of the Client account. Selection of a tier from a tier set may also depend on policies of the Customer financial entities. For example, a Customer financial entity may decide to start an interest-rate promotion using promotional tiers in the tier set. Then, the Agent would test (for example, a promotions flag in the Customer financial entity data records) to determine if promotional tier should be used to set interest rates.

Tiers in tier sets may have information in addition to a primary-characteristic range and a corresponding interest rate. For example, a tier may have a date range so that it is used to set interest rates only if the date is in the range. The date may be specified absolutely, or relatively, for example, with respect to the opening date of a Client account. Instead of specifying an actual interest rate, a promotional tier may specify an additive or multiplicative amount to be applied to a non-promotional or base interest rate.

The Agent database stores the information necessary to parameterize interest allocation and to determine an interest rate for a Client account. In the case of tiering, this database would store the tiers, tier sets, and the like among the records for the Customer financial entities. The Client account records in the database would also have information (such as flags indicating promotions) concerning account characteristics necessary for the tiering computation. Also, the Customer financial entity records may store policy flags and other data, if necessary for tier set selection.

In a concrete preferred embodiment, a Customer financial entity, such as a broker/dealer, an investment advisor, a credit union, or other financial entity, may wish to pay higher interest rates to accounts with larger balances because they are usually more profitable than accounts with smaller balances, and may also wish to run interest rate promotions from time-to-time. Accordingly, this Customer financial entity may specify a tier set with a base tier set applicable to all its Client in the absence of further indication in the account. Typically, a base tier set leads to the same interest rate for all account balances (for example, by having a single tier). The tier set would also have a standard tier set (or more than one) leading to increasing interest rates with increasing balances. Finally, there would be one or more promotional tier sets that determines the promotional interest rates. The promotion tier set may also include time information. For example, all Client accounts opened from April 1<sup>st</sup> through June 30<sup>th</sup> earn 5%, but after June 30<sup>th</sup> all accounts in the tier group will default to the a tier set that determines interest rates based on the balance in the account. Alternatively, the promotional tier set may specify that each account has an individual promotional period. For example, an account may earn a promotional rate for the first 60 days after it is opened at the Customer financial entity. On the 61<sup>st</sup> day, the account will default to a standard.

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Further, in this concrete embodiment, the Client account records for the Customer financial entity in the Agent database would have one or more tier set indicators, or other flags or data, that specify which tier set to apply to this Client. Agent methods would provide the Customer financial entity with the ability to set this indicator from time-to-time so that the intended accounts will have intended interest rates.

The wide flexibility of these embodiments is illustrated by the wide choice of tier sets and of the wide choice of characteristics and factors defining particular tiers in the tier sets. For example, a Customer financial entity may select a group of clients it wishes to favor or attract. In order to expand into a new geographic area or market segment, it may wish to favor such Clients. Clients may be favored if they transact additional business with the Customer financial entity, and so forth. This Customer financial entity may then supply the agent with the favored tier set and tiers along with appropriate Client identification information so that and the selected Clients (by residence, customer type, business characteristics, or the like) will receive the targeted rates. In this manner, a Customer financial entity may even choose to reward individual Clients identified by name or account number. Further tier sets and functions may depend on variables other than the managed account balances. Such other variables may include the total amount that a Client has invested at (or on loan from) a Customer financial entity (whether or not managed by the Agent), the length of time that the Client has been transacting business with the Customer financial entity, and so forth as will be apparent to those of skill in the art.

In the certain cases, a Customer financial entity's requested interest allocation may require more funds to be credited to its Clients than is generated by interest income from the Client funds managed in the MMDAs. The Customer financial entity may then be requested to transfer funds to cover this interest income shortfall. In the converse case, the Agent may transfer excess interest income to the Customer financial entity for its own use.

Agent operation for tiered interest rate implementation is flexibly programmed so that any number of tier sets, based tier sets, promotional tier sets, and tiers can be utilized with full adjustment of tier numbers, levels and time period, as selected and controlled by the Customer financial entity. The Customer financial entity may also indicate the duration of promotional tiers or interest rates and provide Client information fields and flags so that the Agent may chose the Customer financial entity's intended tier for each Client.

In other embodiments, interest rates may be determined by methods that are not table driven. The Customer financial entity may provide rules (such as "IF-THEN" rules) that the Agent will execute for each Client in order to determine the intended interest rate. The "IF" part of these rules will depend on such characteristics and indicators as are described above. The "THEN" parts may return an interest rate or link to further rules for further tests. In a further implementation, the Customer financial entity may even provide an executable module that the Agent will "call" (or otherwise execute) during interest rate allocation and that returns an interest rate suitable for each Client account.

Clearly, other embodiments that include other combinations of the basic features of this invention may be appropriate

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for other Customer financial entities. This invention would be understood by one of skill in the art to include such other embodiments.

#### 4. BRIEF DESCRIPTION OF THE DRAWINGS

The present invention may be understood more fully by reference to the following detailed description of the preferred embodiment of the present invention, illustrative examples of specific embodiments of the invention and the appended figures in which:

FIG. 1A illustrates an exemplary embodiment of accounts, funds flows between accounts, and database records managed by the Agent, where MMDA refers to money market deposit account, where DDA refers to demand deposit account, and where OI refers to ownership interests of Clients in the MMDAs;

FIG. 1B illustrates interest an exemplary embodiment of interest allocation in the invention FIGS. 2A-B illustrate an exemplary embodiment of the processing operations of this invention;

FIG. 3 illustrates an exemplary embodiment of a system of this invention; and

FIG. 4 illustrates an exemplary embodiment of interest-allocation processing of this invention.

#### 5. DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

Described next are specific preferred embodiments that are within the general scope of the invention as set forth in the preceding section. This description includes preferred details of the Agent-managed accounts and funds transfers, preferred interest allocation methods, and exemplary processing methods and systems.

##### 5.2 Agent-Managed Accounts

FIG. 1A is a exemplary general embodiment of the financial relationships and legal relationships (contractual, agency, and the like) that are present in this invention. Centrally illustrated in FIG. 1A are Agent and Agent database 2 with exemplary records 18, 19, 20, 21, 22, 23, 32, 33, and 34. Records 18 and 19 are for Clients of Customer financial entity 1, and record 20 holds the interest allocation parameters prescribed by that Customer financial entity. Similarly, the Agent database stores Client records 21 and 22 and interest allocation parameter record 23 for Customer financial entity 2. In various embodiments, the organization sponsoring the Agent, or an organization commonly controlled with the Agent organization, may have its own direct clients with Agent-managed accounts. Hence, also stored are Client record 34 and interest allocation parameter record 33 for direct Clients of the Agent. Finally, records 17 are Agent database records for further Customer financial entities.

It will be understood that certain non-essential aspects illustrated in FIG. 1A (and in the other figures) are for convenience of illustration and are not to be taken as limiting. Thus, while records 15 for Customer financial entity 1 (and records 16 for Customer financial entity 2, and records 32 for the Agent's direct Clients) are illustrated as grouped, they may be structured in an actual Agent database in any convenient manner known in the art. Also, although each of the records is illustrated by a single block, this information may be actually stored in any number of logical or physical records.

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Next, exemplary Customer financial entities are illustrated in the upper left section of FIG. 1A. Accordingly, Customer financial entities 5 and 7 have respective Client accounts 8, 9, 10, and 11. Client A has account records 8 and corresponding Agent records 18; and similarly Client B has records 9 and 19; Client C has records 10 and 21; and Client D has records 11 and 22. There will usually be further Clients and Customer financial entities 6 with corresponding Agent data 17. Records of direct Agent clients, such as record 34, combine both Customer-like information with Agent-like information. Although the Agent may appear to Clients of Customer financial entities as a bank-like financial entity, it is not actually a bank and holds no funds. All Agent-managed funds are held in money market deposit accounts in Supporting financial entities banks. Thus, illustrated in the bottom section of FIG. 1A is exemplary Supporting bank 25 with MMDA 28 linked to DDA 29, and exemplary Supporting bank 26 with its MMDA 30 linked to DDA 31. An embodiment may use additional Supporting banks 27. As illustrated, each Supporting financial entity holds a single MMDA and a corresponding DDA.

Further, the Agent exchanges funds and information with one or more, and usually several, transaction-processing financial entities illustrated in the upper right segment of FIG. 1A. It is by means of these transaction-processing financial entities, which preferably service many of the transaction vehicles provided by modern financial services, that Clients may access their Agent-managed funds for deposits and withdrawals. FIG. 1A individually illustrates several significant transaction sources. Thus, card services 48 represents credit and debit card processing organizations and networks. Internet bill payment services 49 represents service providers for bill payment, checks, and funds exchanges generally by means of the Internet (or other electronic or network means). ACH debits and credits 50 represents various direct deposit and withdrawal clearinghouse services. Check payment services 51 represent debit and credit transactions generated by paper check processing. Because these individually illustrated transaction sources are illustrative and not limiting, other transaction sources 52 represents transactions generated as a result of other payment vehicles (such as touch-tone bill payment). Accordingly, Clients may access their Agent managed funds by credit and debit cards, for Internet transactions, by direct deposits and withdrawals, by checks, and by other payment and funds exchange vehicles.

Various embodiments of the invention may provide more or fewer transaction sources as well as transaction sources of different types (or of types yet to be developed). In other embodiments, one or more (up to all) transaction sources may interface with the Customer financial entities, which then provide summary information to the Agent via the illustrated sweep files. For example, in the case of broker/dealers, investment advisors, and the like, securities transactions may be processed directly by these Customer financial entities. In this embodiment, the Agent may directly interface with only a few or no transaction sources.

Lastly, FIG. 1A illustrates information and funds exchanges present in general embodiments of the invention that are between the Agent and these financial entities that cooperate to provide the Agent-managed accounts of this invention. Exchanges 36 are between the Agent and the transaction sources. These transaction sources typically package a day's transactions in transaction files which are transmitted daily to the Agent. The Agent causes necessary funds' exchanges by, for example, wire transfers between Agent accounts and the transaction-source financial entities.

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Exchanges 35 are between the Customer financial entities and the Agent, and are usually implemented by exchange of sweep files, such as sweep files 45, 46, and 47. These sweep files usually have instructions for funds transfer between the Agent and its Customer financial entities along with summary transaction information. Funds transfers here are also typically implemented by wire transfers between Agent accounts and the Customer financial entities.

Finally, exchanges 37 are between the Agent and its Supporting financial entities (banks and savings institutions). These (usually) daily transfers preferably balance the net results of all prior Customer financial entity and Client transaction activity exchanges 35 and 36 by making necessary deposits or withdrawals at the Supporting financial entities. Importantly, the Agent causes withdrawals by, inter alia, generating instructions for a messenger to have the Supporting financial entities move funds from their MMDAs to their corresponding DDAs.

As illustrated, the Agent is generally central in these information and funds exchanges, receiving and processing transaction data and then causing necessary funds transfers.

For each Client account at a Customer financial entity participating in Agent services, the Agent tracks managed funds by storing one or more database records (representing "accounts") with financial information describing the Client funds being managed by the Agent. As illustrated, Client A's account 8 and Client B's account 9 at Customer financial entity 1 correspond to stored records 18 and 19; similarly, Client C's account 10 and Client D's account 11 at Customer financial entity 2 correspond to stored records 21 and 22. This financial information describes, at least, each Client's ownership interests ("OIs") in the MMDA at each Supporting financial entity, that is the amount of that Client's funds held in each MMDA, along with the total funds being managed for that Client (namely, the sum of the MMDA OIs). The Client records also preferably store information representing basic Client identifications, such as name, address, social security number, and the like, information representing Customer financial entity association, such as Client account number at the Customer financial entity, Client characteristics at the Customer financial entity important to Agent management, and the like, and additional Client related information (not illustrated).

The Agent database also preferably additionally stores records describing representing the Customer financial entities, such as records 15 and 16. These stored records represent at least Customer financial entity identification and such other information as the Agent needs to manage the Customer financial entity's Clients, including importantly parameters provided by the Customer financial entity to guide interest allocation. Thus the records describing Customer financial entity 1, records 15, include its interest allocation parameters and instructions 20, and those for Customer financial entity 2, records 16, include its interest allocation instructions 23. Where interest is allocated according to tier sets and tiers, the interest allocation records described the Customer-financial-entity-defined balance balance-tiers and associated interest rate, both of which may be changed by the Customer financial entity from time-to-time. Although FIG. 1A illustrates all the records for the individual Customer financial entities being grouped together, actual implementation of the Agent database may organize and physically store records in any manner convenient.

To meet statutory and regulatory requirements, the Agent provides Clients through the Customer financial entities with information describing their accounts and their transactions held on the Agent's database. The Customer financial entity

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may decide to incorporate this account information into their statements to the client, or to have the Agent produce a separate statement. Thus, all activity sweeps, checks written debit/credit card transactions, and so forth appear in the account in the Clients' accounts as well as in the sub-accounts for the Clients when more than one supporting financial entity is used to provide FDIC insurance over \$100,000. Although detail of these sub-accounts may or may not be reported to the client (at the option of the Customer financial entity), the Agent preferably provides the Clients at least with the balances held in each pooled MMDA at each Supporting financial entity.

Next, Client funds for which the Agent is responsible are managed at one or more Supporting banks (financial entities) 25, 26, and 27 in a manner to both qualify for FDIC insurance, limited to \$100,000 per individual beneficial interest per Supporting financial entity, to earn interest, and to permit unlimited withdrawals. To satisfy regulatory requirements, each Supporting financial entity holds a pair of accounts, one account being an interest bearing money market deposit account (MMDA) in which all Client funds are deposited, and the other account being a demand deposit account (DDA) registered in the identical name as the first account (ex., "Administrator as agent for Clients"). For funds transfers from Supporting financial entities, the Agent, first, provides instructions to a messenger who personally requests the withdrawal from the MMDA to the associated DDA in a Supporting financial entity. Funds may be then wired from the DDA out of the Supporting financial entity by the Agent to cover client withdrawals from various sources. Transfer into the pooled MMDA may be direct or through the pooled DDA as dictated by operational convenience. As illustrated, Supporting bank 25 has linked MMDA 28 and DDA 29 between which the Agent exchanges funds 38'. Similarly, the Agent exchanges funds 38" between MMDA 30 and DDA 31 in Supporting bank 26.

### 5.3 Agent-Managed Funds Transfers

Generally, in this invention, the Agent receives actual funds from various financial entities and wires funds out to various financial entities, namely, the Customer financial entities 35, the Supporting financial entities 37, vendors (also referred to as transaction sources) that provide services for the Clients 36, and also direct Clients of the Agent that are not associated with any Customer financial entity. The Agent receives funds from various sources, such as sweep purchases of Clients at Customer financial entities, checks, wire transfers, ACH incoming transactions for, e.g., Client payroll and Client social security deposits, into a subscription account (or several subscription accounts) for further credit to the client's account as a deposit. These funds (after being netted against Client debits) are then to be deposited into the Supporting financial entity. The Agent also sends funds from the subscription account or accounts to pay for various types of withdrawals, such as on-line bill payment capabilities for Clients, ACH debits received from other banks at Clients' requests, touch-tone bill payment, and so forth. Further, the Agent may send funds for checks presented for payment against the Client accounts and for card transactions.

In more detail, the Agent determines the amounts of actual funds to transfer as a result of processing transactions received during its financial processing cycle (usually daily, but other periods known in the art may be used). One important source of transactions are vendors that provide payment services (both credits and debits) for the Clients and that periodically (e.g., daily) forward files to the Agent containing accumulated transactions of the Clients of the Agent (illus-

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trated as Transaction sources 4 in FIG. 1A). Services provided by such vendors include processing of credit and debit cards, ACH credits and debits, Internet bill payments, check payments, and of other types of transaction known in the art. These transaction files are processed, preferably when received (in real-time), by the Agent to update the net credits and debits for each Client, and also the net credits and debits for each Customer financial entity in view of its Clients' net activities.

Another important source of transactions are sweep transactions received in sweep file forwarded from the Customer financial entities. Where Client transactions made at a Customer financial entity in a certain period generate net credits, the Customer financial entity may sweep excess Client funds to the Agent. In case of the converse, where Client transactions generate net debits at the Customer financial entity, this entity may request funds from the Agent to cover such debits. Alternately, funds may be swept to or from the Agent when funds in Client accounts at Customer financial entities exceed or fall below, respectively, a desired or target minimum balance, which may be the same for all the Customer financial entity's clients, or may vary among the Clients. Sweep files may optionally also summary or detailed information on the subject Client transactions. The Agent also processes sweep files in real-time to update the net credits and debits and for each Customer financial entity (for each Client if the sweep file contains the necessary information).

Resulting from this transaction processing are final net credits or final net debits due at each Customer financial entity and at each service vendor that provides a transaction file. The Agent may cause these net funds to be transferred by wire or other means at any time after the final nets are determined. Next, the resulting final net Client credits or net Client debits are allocated among the MMDAs. Where an embodiment manages only a single MMDA at a single Supporting financial entity, then all the net Client credits and debits are netted to a final amount to exchange with this Supporting financial entity. Where several MMDAs are managed at different Supporting financial entities, the final net Client credits or net Client debits are allocated among the available MMDAs according to preferences stored in the Client database records. These allocated amounts for all the Clients are then netted to obtain the final amounts to exchange with each of the Supporting financial entities. Funds transfers with the Supporting banks are managed as described above (with messengers for withdrawals) in order to satisfy regulatory requirements.

Concurrently, the Agent database is updated with information in the received transaction files so that it may track deposits to, and withdrawals from, each of the Client accounts at the Customer financial entities, Customer sweep activity, and the like. The database is further updated with net credits and net debit information and with funds transfer information, as well as with each Client's current proportionate and/or monetary share in the MMDAs.

Preferably, the foregoing procedures are structured in a manner so as to permit broker/dealers, savings institutions, credit unions and other Customer financial entities to continue servicing their Clients as they have done in the past with minimum disruption to their existing processes and systems. In this manner, the invention would be virtually transparent to presently-existing financial entities, and Customer financial

entity personnel would not be burdened with the requirement to perform unfamiliar and potentially time-consuming procedures.

#### 5.4 Methods of Interest Allocation

As the MMDAs at the various Supporting financial entities accrue interest, all or a portion (for example, interest less Agent fees) of this interest is distributed to individual Clients. FIG. 1B, which is identical to FIG. 1A except that funds exchanges 35, 36, and 37 of FIG. 1A are absent and interest distribution 40 is present, details this important Agent function. Each pooled (or aggregate) MMDA preferably earns a maximum interest return compatible with its insured status, which is credited by the Supporting financial entity to the MMDA. The Agent then distributes ownership of accrued interest to the ownership interest ("OIs") of individual Clients which are recorded in the Client records in the Agent database. In FIG. 1B, this interest distribution (also referred to herein as "interest allocation") is illustrated by multiply-headed arrow 40 linking the MMDAs, where the interest is accrued, to the Agent database records, where the interest is accounted for by increases in the Client OIs. This function does not necessarily involve actual funds transfer, because the distributed interest is accrued periodically in the Client's accounts and may be withdrawn according to the funds exchanges illustrated in FIG. 1A in response to debits in Client accounts.

Interest allocation, or distribution, may be performed by several methods. In a simple method, interest earned by an MMDA is proportionally allocated to the Clients according to the relative OIs in that MMDA. It is preferable, however, to allocate interest flexibly and especially in response to requests of the Customer financial entities. Accordingly, FIG. 1B illustrates that interest for the Clients of Customer financial entity 1 are allocated according to allocation methods 41; interest for the Clients of Customer financial entity 2 are allocated according to allocation methods 42; and further Customer financial entities may request further allocation methods 43. These allocation methods may simply be based on relative OIs (optionally, the Agent's default allocation method), or may be procedures provided by the Agent but parameterized by the Customer financial entities, or may be provided as a complete allocation procedure by the Customer financial entities. Depending on the Customer financial entity's chosen allocation method and the distribution of Clients of the Customer financial entity, the Agent may distribute an amount of interest that does not equal the interest returned from the MMDAs for this Customer financial entity.

The total amount of interest to be allocated to all the Clients of a single Customer financial entity (the Customer financial entity's share of the interest) is usually set to be the proportionate to those Clients' share of the total interest earned by the MMDAs. The Customer financial entity's allocation method than allocates that total among the Customer financial entity's Clients. It may happen the Customer financial entity's chosen allocation method distributes more or less than that that Customer financial entity's share. In this case, excess interest may be transferred to the Customer financial entity and deficits requested from the Customer financial entity. Optionally, the Agent itself may allocate interest among its Customer financial entities in an other-than-proportionate manner in order, for example, to encourage Customer financial entities to provide more Clients for the Agent.

Advantageously, interest allocation methods may be further customized to meet Customer financial entity marketing needs, such as acquiring new deposits, encouraging larger

deposits, and so forth. Broker/dealer customers would find this facility especially advantageous because statute and regulation have prevented them from offering interest incentives in the past based on money market mutual funds.

A preferred incentive allocation is based on "tiering", that is assigning interest rates to Clients based on their Agent-managed balance (or other Client account parameter that a Customer financial entity seeks to incent). First briefly in overview, interest allocation features of the present invention are selectively enhanced by system control of tiered interest rate allocations ("TIRA"). As noted above, Client account balances managed by the Agent are tracked on a periodic e.g. daily basis. TIRA methods tests the then current account balance for each Client having funds under Agent management. Based on the ascertained balances, the Client account is placed in one of two or more available tiers (where a method with a single tier implement a single interest rate for all accounts), with the selected tier level corresponding to the appropriate interest rate to be paid on that account balance during the deposit period. Exemplary TIRAs are found in Table 1:

TABLE I

Tier I - Balance greater than \$1; less than \$5000	Rate = 2%
Tier II - Balance greater than \$5,000; less than \$10,000	Rate = 3%
Tier III - Balance greater than \$10,000; less than \$25,000	Rate = 4%
Tier IV - Balance greater than \$25,000; less than \$50,000	Rate = 5%
Tier V - Balance greater than \$50,000	Rate = 6%

Interest rates assigned according to Table I provide incentives for Client account holders to increase their respective balance in order to achieve higher interest rates within the system constraints. Thus, TIRAs track the accounts and apply the appropriate interest rate to the current balance in accordance with the stored protocol.

One refinement of the TIRA method is to assign interest rates on, for example, the total balances held by a Client in all the Client's accounts with the Customer financial entity. Alternatively, interest rates may be tiered according to account balance and the length of time the Client has transacted business with the Customer financial entity.

A further refinement of the TIRA operation includes applications to pre-defined Customer financial entity promotions. A spectrum of potential promotional tier stratagems may be stored in the Agent database, and thus are selectively available for use to assist product marketing. Exemplary promotional structures include a single "fixed" tier level (single interest rate) and "variable" tier levels, with interest rates higher for an initial period before returning to base line levels. The fixed tier structure insures that a Client account earns the same level of interest rate for the promotional period, independent of balance. For example during the promotional period an account may accrue interest at a rate of 5 percent—that is—the rate associated with the tier corresponding to a balance of \$25,000 to \$100,000 (in Table I), even though the account balance is only \$6,000.

Variable tier levels can enhance the interest rates in some or all of the tiers during the promotional period by some factor. For example, during the promotion the enhancement may be 50 basis points ("BP") above the current tier (alternatively, a 15% interest rate bonus), thereby providing a bonus computation of this amount independent of the actual balance, but tied to the balance as done in normal non-promotional operation. Table II below exemplifies a variable promotion TIER arrangement:

TABLE II

Base Tiers			
Tier I - Greater than \$1 - less than \$5000	Rate = 1%		
Tier II - Greater than \$5,000 - less than \$10,000	Rate = 2%		
Tier III - Greater than \$10,000 - less than \$25,000	Rate = 3%		
Tier IV - Greater \$25,000	Rate = 4%		
Bonus:			
Variable Promotion A		BPs	Period
Tier I - Greater than \$1 - less than \$5000	Rate = 2%	+.50	4/1-6/30
Tier II - Greater than \$5,000 - less than \$10,000	Rate = 3%	+.25	4/1-6/30
Tier III - Greater than \$10,000 - less than \$25,000	Rate = 4%	+.75	4/1-6/30
Tier IV - Greater \$25,000	Rate = 5%	+.00	4/1-6/30
Bonus:			
Variable Promotion B		BPs	Period
Tier I - Greater than \$1 - less than \$5000	Rate = 2%	+.50	5/1-7/30
Tier II - Greater than \$5,000 - less than \$10,000	Rate = 3%	+.50	5/1-7/30
Tier III - Greater than \$10,000 - less than \$25,000	Rate = 4%	+.00	5/1-7/30
Tier IV - Greater \$25,000	Rate = 5%	+.00	5/1-7/30

Other parameters defining the tiers may be also adjusted by the Customer financial entities to address market conditions. Adjustment (bonus) periods may be lengthened, tiers added or subdivided, and rates may be coupled to current market indexes, such as the one-year Treasury note or Federal Funds rate. Entry of the new tier parameters into the Agent systems and methods implements the new structure.

FIG. 4 is an exemplary embodiment of Agent processing that is performed for each Client account that implements the preferred tiered interest rate system. As discussed above, the Agent database for each account includes one or more fields with data entries that identify, characterize, and classify each Client from the Customer financial entity's perspective. Preferably, one of these data entries is a promotional field flag indicating whether or not the current account is operating during a pending promotion. This flag is tested at step 401.

A positive response to this test leads to step 403 that determines the particular promotion (from further account record fields) and checks whether this promotion is still active (for example, has not expired). Data for the latter check is retrieved from the Customer financial entity's interest allocation parameters stored in the Agent database. If the promotion is still active, then the promotional interest rate is set 405 for this Client, again using the Customer financial entity's interest rate allocation data. If no promotion is active, the Agent then determines 407 that client tier set (set of tiers that may apply) and particular tier (within the determined tier set) from fields in the Client database record that characterize the type of Client. Next, the interest rate is set 409 using the Customer financial entity's interest rate allocation data.

Interest rate allocation for this Client concludes when the Agent uses the determined interest rate and Client's account balance to calculate 411 the amount of Client interest

### 5.5 Exemplary Agent Methods

On a regular and, preferably, periodic basis (for example, twice daily, daily, every other day, and so forth), the Agent performs an account-management-processing cycle during which it processes transactions for the Clients of Customer

financial entities (and at the Agent itself where it or a commonly controlled entity holds Client accounts) received from various sources. For concreteness and simplicity of description (and without limitation), an Agent processing cycle is described in terms of two phases: a Client/Customer financial entity first phase, and a Supporting financial entity second phase.

Briefly, in the Client/Customer first phase, funds transfers needed between the Agent and the broker/dealers, investment advisors, savings institutions, credit unions, other Customer financial entities, and vendor financial entities that provide transaction services for the clients (referred to above also as "transaction sources") are determined, and the necessary instructions to cause these funds transfers are issued. In this phase, transaction data received for all Client accounts (and new accounts) at all the Customer financial entities (and at the Agent itself where it holds Client accounts directly) is processed in order to obtain for each Client account the net debit or the net credit in that account for that particular period, and its distribution to or from the one or more MMDAs in the Supporting financial entities (with a single MMDA held in each entity). Transaction data is received from the various transaction sources or via sweep files or both.

Also in the first phase, for each Customer the Agent sums the net debits and the net credits received from the Customer for their clients on the daily sweep transaction file to obtain the total net debit or net credit at the Customer financial entity. If the net activity is a credit, the Customer financial entity will transfer funds to the Agent; if the net activity is a debit, the Agent then issues instructions to transfer funds to the Customer financial entity. Exchange of funds with the Agent and then among the Clients of any one Customer is according to that Customer's normal processing. Finally, as the transaction files from the various Transaction sources are processed, the net credits or debits between the Agent and that Transaction source are determined, and instructions to cause this transfer are issued.

In the second phase, the Agent sums the net debits and net credits for all Clients with funds for a Supporting financial entity, and then issues instructions to transfer this amount to or from, respectively, the Supporting financial entity. In the case where the Agent manages two or more MMDAs at two or more Supporting financial entities, the Client net credits and debits are preferably allocated to the Supporting financial entities according to preferences stored in the Client records in the Agent data base. For withdrawals from a Supporting financial entity, the Agent instructs a messenger to have the funds moved from the MMDA to the associated DDA, and then withdraws the funds from the DDA. For deposits, the Agent may direct funds to either the DDA or directly to the MMDA.

This description and the following details are exemplary, and one of skill in the art will recognize that the individual steps illustrated herein may be split, combined, or otherwise rearranged, that the orders of the individual steps and of the phase may be changed, and that other alterations are possible without degrading Agent account management functions. For example, in one alternative, all phases may occur together so that after processing data for each Client account and Customer financial entity, the Supporting financial entity net debit/credit amounts are updated.

These Agent processing phases are now described in more detail with reference to FIGS. 2A-B. FIG. 2A illustrates that the Client/Customer first phase includes two principal processing components or activities that are linked by updates stored in Agent database 204. Generally occurring first in time is the real-time transaction file processing (left portion of



FIG. 2A) during which the daily transaction files are processed as they are received and the Agent data base is updated with the transaction results. Generally following the transaction-file processing in time is the per Client/Customer processing during which the Clients and Customer financial entities having transaction activities for the period recorded on data base 204 are individually processed to determine the resulting total net credits or net debits.

Turning to the real-time transaction-file processing, preferably, the Agent systems and methods are structured and configured to receive and process transactions from many normal financial transaction sources and vendors of financial services. Accordingly, FIG. 2A illustrates input of standard sources of credit transactions, namely check deposits 231, Federal Reserve Bank wire deposits 233, and ACH (clearing house) deposits 235. Similarly, the Agent processes debits to Client accounts from a number of sources. Direct debit withdrawals are received and processed at 237. For credit and debit cards, the issuing bank through the card association network provides 247 a transaction file which is processed at 239. Activity in debit accounts is processed at 241, and direct Client withdrawals (for example, a withdrawal made by means of the Agent) are processed at 243. Various sources provide files of debit transactions, including checks presented for payment 249, ACH (clearinghouse) debits 251, bill payments made through Internet bill payment methods 253, and automated telephone bill payment methods such as touch-tone bill paying 255. In various embodiments, Agent methods and systems may receive and process transaction for other transaction sources, such as transaction made in person or received by mail and that may be manually keyed (or scanned) into the system.

Transaction files are processed by a hierarchy of one or more processing steps: deposit files are processed at 223; debit/credit card files are processed at 224; various debit transaction files are processed first at 245; and along with other debit transactions are processed at 227. (Note that certain sources may provide debits or credits; for example, card processing usually returns debit transactions but may return an occasional credit if a Client returns an item.) These processing steps generally perform the following similar functions. First, details of individual transaction are preferably stored on the Agent data base on a per Client and per Customer financial entity basis, and as they are being stored (or in subsequent steps), net credits and net debits for each Client and each Customer financial entity are accumulated and stored. Second, net debits or net credits are also accumulated for each of the transaction sources, and after each file is processed, instructions are generated to exchange the net funds with that source.

Concerning sweep file 230 and its processing at 225, data in the sweep files result from a Customer financial entity's processing of Client debit and Client credit transactions received against this account in most recent complete period. For example, a Customer financial entity processes all Client transactions for the previous, ex., twenty-four hour period to generate the sweep file made available in the current twenty-four hour period. For broker/dealers, for example, these transactions would typically result from Client securities purchases or sales. This file is the processed at 225 by the Agent to store the data by Client and Customer financial entity, to accumulate net debits or net credits by Client and Customer financial entity.

The Agent data base 204 is updated by this transaction processing, and the updated database is input to the following per Client/Customer processing.

In FIG. 2A, a "mainline" of per Client/Customer processing extends from 201 directly to 213. Beginning at 201 the Agent starts processing the updated items on the data base for the Clients and the Customers. If the current data item represents a new Client account, then the account is opened and initialized 202 by creating appropriate records in the Agent database. Since these records include the Supporting-financial-entity-preference list of Clients, this list is initialized 215 from either actual Client input or by the Agent in the absence of Client input, and initial deposits are then processed 217. Next, if this Client account has associated credit or debit cards, the card payment network is initialized for the next period's card transactions by creating a position file 203, as is known in the art. This position file is transmitted to the card's issuing bank 219, which then updates the card network 221 so that it may approve or deny transactions in the next processing period (for example, the next day after the current day).

Next all the data base updates with the net credits and net debits for the entity, Client or Customer financial entity, described by the current item being processed are retrieved and combined into a total net 205 for the Client or Customer financial entity. For a Customer financial entity, then Agent may then issue instructions to perform the necessary funds exchanges 259 with that Customer financial entity. Also, concurrently Agent may receive (or already has received) funds swept on that Customer financial entity's initiative.

For each Client account, the next steps of Agent processing are to allocate deposits or withdrawals to the MMDAs in various Supporting financial entities. (If there is only one Supporting financial entity, allocation processing is unnecessary). Each Client account record stores preferences for the various Supporting financial entities, either chosen by the Client or set by default. This list is retrieved 209 and the funds to be exchanged allocated 211 to the preferred Supporting financial entities.

As described, this allocation, preferably, holds funds so that the more preferred Supporting financial entities hold no less funds than the less preferred Supporting financial entities, and each Supporting financial entity holds no more than some threshold (for example, \$90,000) that is less than \$100,000 for each Client. The result of these last steps are the net funds to be deposited or withdrawn at each Supporting financial entity.

Interest earned by the MMDA accounts 229 is a further source of funds for Client accounts. This Interest accrues daily and is posted monthly in the MMDA at the Supporting financial entities and then in the Clients accounts. Interest allocation is performed as previously described in dependent on interest allocation parameters 257 usually supplied from time-to-time by the Customer financial entities.

Agent processing for a chosen data base item completes at step 213. Then, the Agent picks a next data base item for the next Client or Customer financial entity and begins processing again at 202 until all data base updates made by the transaction processing have been handled.

Finally, FIG. 2B illustrates processing for the Supporting financial entity phase of the Agent processing cycle. Further, since each net client debit or credit is withdrawn or deposited to one or more pooled MMDAs in the supporting financial entities, essentially the same summing or netting must be done for each Supporting financial entity as for each Client. The result may be \$0, but is usually an amount of funds that must be transferred to or from the MMDAs in the Supporting financial entities to match excess Client (and Transaction source) withdrawals or deposits. Thus, for each Supporting financial entity 273, the net credits or net debits determined for that Supporting financial entity are retrieved 275 and



summed 277 to obtain the net total debit or credit at that Supporting financial entity. If the total net is a credit 279, then these funds are deposited to the MMDA(s) at that Supporting financial entity in any convenient manner, optionally by means of the associated DDA(s). If the total is a debit 279, then the Agent generates instructions for a messenger to have the total transferred from the MMDA(s) to the associated DDA(s) and finally transfers the total from the DDA(s) in any manner convenient. The processing is repeated for the next Supporting bank 285. In alternative embodiments, one or more of the steps 263, 265, and 267 may be integrated with Client processing; in other embodiments these steps may be a separate process following Client processing.

The Agent transfers and receives funds for the Customer financial entities, transactions sources and for the Supporting financial entities through an administrative account. All these transfer must, as a group, sum/net to \$0, because as an agent, the Agent does not accept deposits or grant credits. In essence, the Agent performs a system-wide crossing/clearing function.

### 5.6 Exemplary Agent Systems

The above account management processing, including interest allocation, is performed on Agent computer systems programmed to carry out the above methods. FIG. 3 illustrates exemplary systems are configured from standard commercial-grade components, for example, mainframe-type system 301 coupled to data storage 302 for the Agent databases, here illustrated as the "insured deposits database". A typical processor may be from IBM using an OS/390 or MVS/ESA operating system or the equivalent; a typical database system may be DB2 from IBM or the equivalent, such as products from Oracle Corp.

System 301 is also in communication 303 with Customer financial entities, Supporting financial entities, Clients (where the Agent provides statements and account information directly to Clients), sources of financial transactions (such as those illustrated in FIG. 2A), transfer agents of its Customer financial entities, and Supporting financial entities, and other data sources as necessary. Communication may be by TCP/IP, IBM SNA, or other (bisynchronous) to interface devices attached to system 301. Typically transaction and account information files are transferred over these links.

The methods of this invention may be programmed as one or more modules in convenient commercial programming languages. Either all or a portion of these modules implementing the methods of this invention may be packaged as program products on standard computer readable media (such as magnetic tapes, magnetic or optical discs, and the like).

### 5.7 Additional Specific Embodiments

The above-described elements of this invention relationships may be "packaged" variously to meet the needs of various Customer financial entities. In one embodiment, one Customer financial entity is linked to one Supporting financial entity, so that client accounts may be provided with up to \$100,000 of FDIC insurance along with interest and unlimited withdrawals. In a second embodiment, one Customer financial entity it linked to more than one independent, Supporting financial entity so that its clients may receive more than \$100,000 of FDIC insurance.

In a third embodiment, a Customer financial entity which is a bank or savings institution may wish to retain all Client funds on its own books so that they may be available for its

normal financial activities. This is accommodated by having the Agent managed MMDA-DDA pair (or pairs) be held at the Customer financial entity. Otherwise, the Agent systems and methods are as described above. In this embodiment, Client insurance is limited to \$100,000. In such an embodiment, the ownership interests managed by the Agent and recorded on its database may be advantageously realized as separate Client accounts at the Customer financial entity (referred to as a "return sweep account"). Then, a Client will have two accounts, one on the books of the Customer financial entity, for example, a Client demand deposit account, and a second account held on the books of the Agent, a return sweep account. The Agent then manages fund exchanges between these accounts so that the funds of all Client return sweep accounts are held in the managed MMDA-DDA pairs.

Such additional embodiments preferably also include flexible allocation of interest earned on the one or more Agent-managed MMDAs according to the characteristics of Client accounts (or according to Customer indications). As described above, the Supporting financial entities credit interest earned to the MMDAs, and the Agent then allocates the credited interest among the Client ownership interests according to Client account characteristics. This allocation is preferably according to interest rates varying according to account balances as determined by a set of tiers, each tier specifying a selected interest rate for a selected range of account balances. However, interest may also be allocated according to other Client or Customer financial entity characteristics, such as the existence of an interest rate promotion.

Systems supporting these embodiments may be separate; one system supporting one embodiment for one client. Or one system may support multiple Customer financial entities using a single embodiment. Advantageously, a single networked system processes multiple Customer financial entities using multiple embodiments. In the latter case, client and Customer financial entity records will contain sufficient information to identify clients related to each Customer financial entity, and further to provide client classification information appropriate to that Customer financial entity (ex., total balance at the Customer financial entity, branch, Customer financial entity history, . . . , etc.)

Thus, it can be appreciated that by practicing the embodiment of the invention described in connection with the above figures, an individual Client is effectively provided with FDIC insurance in excess of \$100,000 in an account from which unlimited withdrawals are possible. Further, the Customer financial entity holding the Client's base account is enabled to provide interest return flexibly allocated according to various Client characteristics, such as the size the Client balances.

Further embodiments will be apparent to those of skill in the art and are part of the present invention. In particular, elements of the methods and systems described above may be arranged and combined in further embodiments to achieve the objects of the invention in a manner tailored for particular Customer financial entities, or Clients, or Supporting institutions. Such additional combinations are also part of the present invention.

The invention described and claimed herein is not to be limited in scope by the preferred embodiments herein disclosed, since these embodiments are intended as illustrations of several aspects of the invention. Any equivalent embodiments are intended to be within the scope of this invention. Indeed, various modifications of the invention in addition to those shown and described herein will become apparent to

those skilled in the art from the foregoing description. Such modifications are also intended to fall within the scope of the appended claims.

A number of references are cited herein, the entire disclosures of which are incorporated herein, in their entirety, by reference for all purposes. Further, none of these references, regardless of how characterized above, is admitted as prior to the invention of the subject matter claimed herein.

The invention claimed is:

1. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts being interest-bearing, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media, comprising a respective balance of funds for each of a plurality of the respective client accounts in the subset and information on funds held by each of the plurality of clients of the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

updating the respective balance of funds in the database associated with each of the respective client accounts in the subset based on one or more debit and/or credit transactions made by the respective client;

determining electronically for each of the plurality of the client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in an interest-allocation procedure based at least in part on the updated balance of funds associated with the respective client account in the subset;

calculating electronically a respective interest for a period to be posted to each of a plurality of respective client accounts in the subset, with the respective interest to be posted to a respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share in earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

2. The method as defined in claim 1, wherein there are a plurality of different customer financial entities, each differ-

ent customer financial entity having a plurality of customer accounts associated therewith, and further comprising:

determining the interest-allocation procedure for each of a plurality of respective client accounts based at least in part on the customer financial entity associated with the respective client account.

3. The method as defined in claim 1, wherein the respective interest rate is determined based on the respective balance of funds associated with the client in the respective client account.

4. The method as defined in claim 1, wherein the respective interest rate is determined based on respective total client funds associated with a customer financial entity.

5. The method of claim 1, wherein the interest-allocation procedure comprises assigning an interest rate from among a plurality of interest rates to a respective client account based on whether the respective balance of funds of the client is in a selected range of balances.

6. The method of claim 1, wherein the determining the interest rate step is performed independently of the determining the interest earned step.

7. The method of claim 1, wherein one or more of the clients are associated with at least one customer financial entity, wherein the steps of the method are performed by one or more computers operated on behalf of an agent entity managing the client accounts on behalf of the customer financial entity, and wherein the interest-allocation procedure is determined at least in part based on a parameter related to the customer financial entity.

8. The method of claim 7, wherein the parameter related to the customer financial entity is a total of all of the balances of the client accounts managed by the agent for the customer financial entity.

9. The method of claim 1, further comprising: requesting from the customer financial entity a transfer of any deficit caused by an allocation to one or more of the client accounts associated with that customer financial entity of more than the funds of those client accounts earned in the one or more aggregated deposit accounts.

10. The method of claim 1, wherein each of a plurality of the managed client accounts are associated with a different customer financial entity.

11. The method of claim 1, wherein one or more of the clients are associated with at least one customer financial entity, wherein the steps of the method are performed by an agent entity managing the client accounts on behalf of the at least one customer financial entity, and further comprising receiving an interest-allocation procedure from the customer financial entity.

12. The method of claim 1, wherein each of a plurality of the aggregated deposit accounts has a corresponding aggregated demand account in the financial institution holding the aggregated deposit account, and further comprising:

generating instructions for transferring funds between the aggregated deposit account and the aggregated demand account at one or more of the financial institutions to satisfy a net of transaction credits and debits from a plurality of the clients.

13. The method of claim 1, further comprising:

updating electronically a database with information representing

(i) the received client transaction data,

(ii) client-account data for a client account describing in which one or more aggregated deposit accounts the account funds are held, net client-account credits and/or debits, and interest allocated to the managed client account, and

(iii) aggregated deposit accounts including net deposit-account credits and/or debits.

14. The method of claim 1, wherein one or more of the clients are associated with at least one customer financial entity, wherein one or more of the steps of the method are performed by one or more computers operated on behalf of an agent entity managing the client accounts on behalf of the at least one customer financial entity, and further comprising:

determining or having determined electronically from the electronic client transaction data a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;  
generating instructions by the agent entity for one or more funds transfers with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit; and  
transferring or having transferred funds with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit.

15. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts being interest-bearing, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;  
maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;  
maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media, comprising a respective balance of funds for each of a plurality of the respective client accounts in the subset and information on funds held by each of the plurality of clients of the subset in the plurality of aggregated deposit accounts;  
receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;  
determining or having determined or receiving electronically for each client account with transaction activity a net client-account credit or net client-account debit resulting from that client's one or more transactions received in the client transaction data;  
updating a respective balance of funds associated with each of a plurality of the respective clients based on the respective net client-account credit or respective net client-account debit determined from the respective client's transactions;  
determining electronically for each of the plurality of the client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in an interest-allocation procedure based at least in part on the updated balance of funds associated with the respective client account in the subset;  
calculating electronically a respective interest for a period to be posted to each of a plurality of respective client accounts in the subset, with the respective interest to be

posted to a respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share in earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

16. The method of claim 15, wherein one or more of the clients are associated with at least one customer financial entity, wherein one or more of the steps of the method are performed by one or more computers operated on behalf of an agent entity managing the client accounts on behalf of the at least one customer financial entity, and further comprising:

determining or having determined electronically from the electronic client transaction data a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions by the agent entity for one or more funds transfers with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit; and

transferring or having transferred funds with one or more of the aggregated deposit accounts to satisfy the determined net credit or net debit.

17. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, wherein there are one or more different customer financial entities, each of the one or more different customer financial entities having a plurality of the customer accounts associated therewith, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts having its own interest rate, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media comprising a balance of funds in each of a plurality of the respective client accounts in the subset and information on funds held by each of a plurality of clients in the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

determining or having determined electronically for each client account a net client-account credit or a net client-account debit resulting from that client's one or more transactions received in the client transaction data;

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generating a respective updated balance of funds associated with each of the respective client accounts in the subset based on the net client-account credit or net client-account debit determined from the respective client's one or more transactions;

determining or having determined electronically from the electronic client transaction data or the respective net client-account credits or net client-account debits a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions for transferring funds with one or more of the aggregated deposit accounts at the one or more financial institutions to satisfy the net credit or debit for the plurality of client accounts;

determining an interest-allocation procedure for each of a plurality of respective client accounts based at least in part on the customer financial entity associated with the respective client account;

determining electronically for each of the plurality of the respective client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in the determined interest-allocation procedure based on the updated balance of funds associated with the respective client;

calculating a respective interest for a period to be posted to each of a plurality of the respective client accounts in the subset, with the respective interest to be posted to the respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share of earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

18. A method for managing funds of a plurality of respective client accounts associated with a plurality of respective clients participating in a program, wherein there are a plurality of different customer financial entities, each different customer financial entities having a plurality of the customer accounts associated therewith, comprising:

maintaining a plurality of FDIC-insured and interest-bearing aggregated deposit accounts, each of the aggregated deposit accounts being interest-bearing, with one or more of the aggregated deposit accounts held in each different one of a plurality of financial institutions in the program;

maintaining funds of a plurality of the clients in the plurality of aggregated deposit accounts so that each aggregated deposit account holds funds of a plurality of the clients, with each client account in a subset of the plurality of client accounts having funds in their respective client account over a predetermined amount, with each of the respective client accounts in the subset having funds deposited in a plurality of the aggregated deposit accounts;

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maintaining or having maintained or accessing by computer an electronic database, on one or more computer-readable media, comprising a balance of funds in each of a plurality of the respective client accounts in the subset and information on funds held by each of a plurality of clients in the subset in the plurality of aggregated deposit accounts;

receiving electronic client transaction data describing debit and/or credit transactions made by a plurality of clients against their respective client accounts;

determining or having determined electronically for each client account a net client-account credit or a net client-account debit resulting from that client's one or more transactions received in the client transaction data;

generating a respective updated balance of funds associated with the respective client accounts in the subset based on the net client-account credit or net client-account debit determined from the respective client's transactions;

determining or having determined electronically from the electronic client transaction data or the respective net client-account credits or net client-account debits a net credit or a net debit to be applied to one of the aggregated deposit accounts or distributed among a plurality of the aggregated deposit accounts;

generating instructions for transferring funds with one or more of the aggregated deposit accounts at the one or more financial institutions to satisfy the net credit or debit for the plurality of client accounts;

transferring or having transferred funds with one or more of the aggregated deposit accounts to satisfy the net credit or net debit for the plurality of client accounts;

determining an interest-allocation procedure for each of a plurality of respective client accounts based at least in part on the customer financial entity associated with the respective client account;

determining electronically for each of the plurality of the client accounts in the subset of client accounts a respective interest rate from among a plurality of interest rates in the determined interest-allocation procedure based on the updated balance of funds associated with the respective client;

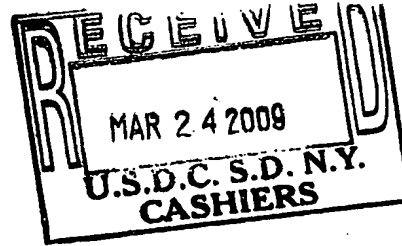
calculating a respective interest for a period to be posted to each of a plurality of the respective client accounts in the subset, with the respective interest to be posted to the respective client account determined based on the respective interest rate determined for that respective client account in the subset, with the calculating being independent from the respective client account pro rata share of earnings posted to the plurality of the aggregated deposit accounts holding funds of the respective client account;

determining interest earned during the period by each of the plurality of aggregated deposit accounts in the program; and

posting electronically the respective interest calculated for each of the plurality of respective client accounts based on the respective interest rate determined for the respective client account.

\* \* \* \* \*

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Attorneys for Plaintiffs  
 Island Intellectual Property LLC  
 LIDs Capital, LLC and Double Rock Corporation

UNITED STATES DISTRICT COURT  
 SOUTHERN DISTRICT OF NEW YORK

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ISLAND INTELLECTUAL PROPERTY LLC,  
 LIDS CAPITAL, LLC, and DOUBLE ROCK  
 CORPORATION,

Civil Action No.:

**RULE 7.1 CORPORATE  
 DISCLOSURE STATEMENT**

Plaintiffs,

v.

DEUTSCHE BANK AG and DEUTSCHE BANK  
 TRUST COMPANY AMERICAS, and TOTAL  
 BANK SOLUTIONS, LLC,

Defendants.

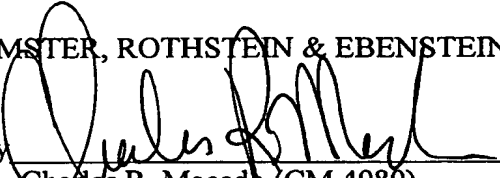
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Pursuant to Rule 7.1 of the Federal Rules of Civil Procedure, the undersigned attorney of record for the Plaintiffs ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL, LLC, and DOUBLE ROCK CORPORATION hereby certifies that Plaintiff ISLAND INTELLECTUAL PROPERTY LLC and Plaintiff LIDS CAPITAL, LLC are wholly owned

subsidiaries of Plaintiff DOUBLE ROCK CORPORATION. There are no corporate parents or publicly held corporations owning ten percent (10%) or more of the stock of DOUBLE ROCK CORPORATION.

Respectfully submitted,

AMSTER, ROTHSTEIN & EBENSTEIN LLP

By   
Charles R. Macedo (CM 4980)

Dated: New York, New York  
March 24, 2009

Of Counsel:

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Attorneys for Plaintiffs  
Island Intellectual Property LLC  
LIDs Capital, LLC and  
Double Rock Corporation

# EXHIBIT C

FILED

UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION

2009 MAR 24 P 1:05

CLERK US DISTRICT COURT  
ALEXANDRIA, VIRGINIA

PROMONTORY INTERFINANCIAL  
NETWORK, LLC  
1515 N. Courthouse Road, Suite 800  
Arlington, Virginia 22201

Plaintiff,

v.

DOUBLE ROCK CORPORATION, p/k/a  
RESERVE MANAGEMENT CORPORATION  
1250 Broadway  
New York, New York 10001

and

ISLAND INTELLECTUAL PROPERTY LLC  
1250 Broadway  
New York, New York 10001

Defendants.

Civil Action No. 1:09cv316

LD/TRJ

JURY TRIAL DEMANDED

**COMPLAINT**

Plaintiff Promontory Interfinancial Network, LLC ("Promontory") brings this action seeking declaratory and injunctive relief and damages against Defendant Double Rock Corporation p/k/a Reserve Management Corporation ("the Reserve") and Island Intellectual Property LLC ("Island IP", collectively with the Reserve, "the Reserve Parties"). The Reserve Parties have threatened to assert against Promontory, and its customers, patents that the Reserve Parties obtained through inequitable conduct, that are invalid, and that Promontory does not



infringe. To address the harms resulting from the Reserve Parties' unlawful conduct, Promontory alleges for its complaint as follows:

### **NATURE OF ACTION**

1. Promontory and the Reserve have competed in the market for providing "deposit sweep services" to broker-dealers. In a deposit sweep service, cash held in customer accounts at broker-dealers is transferred electronically ("swept") into federally-insured and interest-bearing deposit accounts until the cash is needed by the customer. Financial institutions have offered such services to their customers since at least the early 1980s. Nonetheless, more than ten years later in the late 1990s, the Reserve began filing United States patent applications purporting to claim methods and systems for providing deposit sweep services that are indistinguishable from these earlier services. The methods and systems claimed by the Reserve were well-known when it filed its applications: the "invention" the Reserve sought to patent involves nothing more than the application of longstanding legal principles found in banking statutes, regulations, and court decisions.

2. Knowing that deposit sweep services offered years before would likely prevent it from obtaining any issued patents, during the prosecution of its patent applications the Reserve, and more recently, Island IP, concealed from and misrepresented to the United States Patent and Trademark Office ("PTO") material information about these earlier services. The Reserve also concealed from and misrepresented to the PTO material information about the Reserve's own deposit sweep service -- including that it was offered for sale more than one year prior to the first Reserve patent application. As a result of these concealments and misrepresentations, two of the applications filed by the Reserve Parties have now issued as United States Patents Nos. 6,374,231 ("the '231 patent") and 7,509,286 ("the '286 patent") (collectively, "the Reserve

Patents"). The Reserve assigned its rights to the Reserve Patents and related patent applications to Island IP, a wholly owned subsidiary of the Reserve, in December 2008.

3. Promontory offers its customers a deposit sweep service that works in a fundamentally different way than the Reserve's deposit sweep service and the methods and systems that are the subject of the Reserve Patents and related patent applications. The Reserve Parties know or should know that Promontory's service is not covered by these patents and applications and that the Reserve Patents and related patent applications are invalid and unenforceable. Yet the Reserve has falsely stated to Promontory's customers and service providers that Promontory's deposit sweep service practices the Reserve Patents and related applications and that Promontory's customers and service providers may incur liability for patent infringement. This improper and malicious conduct by the Reserve has harmed Promontory's business and reputation and has caused Promontory to lose substantial potential revenue.

4. Accordingly, a substantial, immediate, and real controversy exists between Promontory and the Reserve Parties that can be fully resolved in this action, and therefore, Promontory brings claims under federal law to declare the Reserve Patents invalid, unenforceable, and not infringed, and under federal and state law to address the Reserve's unfair competition and its false statements to Promontory's customers and service providers. Promontory seeks declaratory and injunctive relief, compensatory damages, punitive damages, attorney's fees, and costs.

#### **JURISDICTION AND VENUE**

5. This Court has subject matter jurisdiction over Promontory's declaratory judgment claims (Counts I – VI) pursuant to 28 U.S.C. §§ 1331 and 1338(a), because they present a federal question arising under Title 35 of the United States Code, and pursuant to 28

U.S.C. §§ 2201 and 2202, because an actual controversy exists as to the invalidity, unenforceability, and infringement of the Reserve Patents. This Court has subject matter jurisdiction over Promontory's state law claims (Counts VII – VIII) pursuant to 28 U.S.C. § 1332, because there is complete diversity between the parties and the amount in controversy exceeds \$75,000, exclusive of interest and costs, and supplemental subject matter jurisdiction pursuant to 28 U.S.C. § 1367(a). This Court has subject matter jurisdiction over Promontory's unfair competition claim arising under the Lanham Act, 15 U.S.C. § 1125(a) (Count IX) pursuant to 28 U.S.C. § 1331. This Court also has subject matter jurisdiction over Promontory's state and federal law unfair competition claims (Counts VIII and IX) pursuant to 28 U.S.C. § 1338(b), because they are joined with substantial and related claims under the patent laws.

6. Venue in this Court is proper pursuant to 28 U.S.C. § 1391(b), because the Reserve Parties reside in this judicial district and because a substantial part of the events or omissions giving rise to Promontory's claims occurred in this judicial district.

7. This Court has personal jurisdiction over the Reserve parties, because, upon information and belief: (i) the Reserve Parties have contracted to supply services or things in this Commonwealth; (ii) the Reserve Parties have caused tortious injury in this Commonwealth by an act or omission outside this Commonwealth; and (iii) the Reserve Parties regularly does or solicits business, and engages in other persistent course of conduct, and derives substantial revenue from goods used or consumed or services rendered, in this Commonwealth.

#### **PARTIES**

8. Plaintiff Promontory Interfinancial Network, LLC is a Delaware limited liability company with its principal place of business at 1515 N. Courthouse Road, Arlington, Virginia 22201. Promontory was founded in 2002 by banking-industry leaders, including a former Comptroller of the Currency, Vice Chairman of the Federal Reserve Board, and Chief of Staff of

the Federal Deposit Insurance Corporation ("FDIC"). Promontory provides services to the financial services industry, including, among other things, deposit sweep services for broker-dealers.

9. Upon information and belief, Defendant Double Rock Corporation, which was previously known as Reserve Management Corporation, is a New Jersey corporation with its principal place of business at 1250 Broadway, New York, New York 10001. The Reserve is a direct competitor of Promontory in the market for deposit sweep services.

10. Upon information and belief, Defendant Island Intellectual Property LLC, which is a wholly-owned, patent-holding subsidiary of Double Rock Corporation, is a New Jersey corporation with its principal place of business at 1250 Broadway, New York, New York 10001. The Reserve assigned all rights to the Reserve Patents and related patent applications to Island IP on December 4, 2008. Upon information and belief, throughout the existence of Island IP, Defendant Island IP has been controlled by the Reserve, and Defendants Island IP and the Reserve have acted through the same agents and been represented by the same counsel.

## **FACTUAL BACKGROUND**

### **Deposit Sweep Services**

11. Broker-dealer customers commonly hold uninvested or "excess" cash in their brokerage accounts. The excess cash held in a brokerage account may result from interest or dividend payments on securities, the sale of securities, or a deposit of cash by the customer. Under SEC regulations, a broker-dealer is not required to pay interest on such excess cash.

12. As a service to their customers, many broker-dealers will automatically invest, or "sweep," the excess cash in a customer's brokerage account into a liquid investment, such as a money market mutual fund or a bank deposit account. Broker-dealers may also offer cash management features on the brokerage account, allowing the customer to write checks, make

debit card transactions, and make ATM withdrawals against the cash in the brokerage account. When a customer uses the cash management feature to make such a transaction, the broker-dealer withdraws funds from the money market fund or deposit account to satisfy the debits incurred by the customer.

13. Many broker-dealers that provide sweeps of excess cash offer their customers the option to sweep cash into a deposit account at a bank whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") (hereinafter, "a deposit sweep arrangement"). In a typical deposit sweep arrangement, such as those supported by Promontory on each business day the broker-dealer sweeps excess cash from the brokerage accounts into the deposit accounts and transfers funds back into the brokerage accounts that are necessary to satisfy any withdrawals or transactions by the broker-dealer's customers (*e.g.*, check or debit card transactions).

14. In many deposit sweep arrangements, including those supported by Promontory, the cash swept from the brokerage accounts is primarily held in money market deposit accounts ("MMDAs"), a type of savings account, at one or more banks. Federal banking laws and regulations do not require banks to hold cash reserves against MMDAs so long as depositors are prohibited from making more than six transfers or withdrawals in a month, no more than three of which may be withdrawals by check or debit card, subject to certain exceptions.

15. A deposit sweep arrangement allows a broker-dealer customer to earn interest and obtain FDIC insurance on cash that is not immediately needed and that, if kept in the brokerage account, may not generate interest or obtain FDIC insurance. By using properly designed deposit sweep arrangements, customers can make unlimited transactions, including check and debit card transactions, from their brokerage accounts, while earning interest and/or obtaining FDIC insurance.

16. Some broker-dealers sweep customer funds into MMDAs at multiple banks. This permits the broker-dealer to offer customers FDIC insurance on their deposits in excess of the limit imposed upon a single depositor at a single bank, which is presently \$250,000.

17. Broker-dealers benefit from deposit sweep arrangements because the broker-dealers are typically paid a fee based on a percentage of the deposits placed with the bank.

18. A deposit sweep arrangement also benefits banks that hold swept funds because the arrangement provides such banks with a relatively large, long-term, and stable source of deposits. Further, by complying with the limits on the number of withdrawals or transfers that can be made in a month from an MMDA, such banks generally are not required to hold cash reserves on the swept funds while they are held in an MMDA.

19. Service providers such as Promontory enter into agreements with broker-dealers to provide processing services in connection with a deposit sweep arrangement, and with banks to accept swept funds into deposit accounts. These service providers, including Promontory, typically receive a fee from the banks for their services.

20. Upon information and belief, the first deposit sweep service was developed and offered by Merrill Lynch, Pierce, Fenner & Smith ("Merrill Lynch"). As a broker-dealer, Merrill Lynch offered this service to its brokerage customers at least as early as 1983 as a feature of Merrill Lynch's Cash Management Account ("CMA"), a brokerage account with cash management features. Merrill Lynch called this feature the Insured Savings Account ("ISA") (collectively, "Original 1983 CMA/ISA Service").

21. Since Merrill Lynch introduced the Original 1983 CMA/ISA Service, many broker-dealers and banks have offered similar deposit sweep services to their customers.

22. Upon information and belief, at least as early 1998, Merrill Lynch began developing a second deposit sweep service. Merrill Lynch offered this second service to its brokerage customers at least as early as 2000 under the name Cash Management Account 2.0 ("2000 CMA 2.0 Service").

### **Regulatory Background**

23. The structure and operation of a deposit sweep service must comply with various banking statutes and regulations, as well as guidance from relevant federal agencies.

24. Under a regulation promulgated by the Federal Reserve Board in 1980, an MMDA depositor "is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction, and no more than three of the six such transfers may be made by check, draft, debit card, or similar order made by the depositor and payable to third parties." 12 C.F.R. § 204.2(d)(2) (hereinafter, "Regulation D").

25. Regulation D contains an exception to this general monthly limit for any "transfers or withdrawals [that] are made by mail, messenger, automated teller machine, or in person or when such withdrawals are made by telephone (via check mailed to the depositor) regardless of the number of such transfers or withdrawals."

26. The Federal Reserve Board has provided guidance on whether certain deposit sweep services comply with Regulation D. In an interpretive letter dated June 22, 1983, the Federal Reserve Board concluded that, under Regulation D, a broker-dealer cannot establish MMDAs, in its own name, and utilize a messenger to make withdrawals from the MMDAs on

behalf of the broker-dealer's customers, in order to offer those customers unlimited checking or debit card transactions. In a letter dated June 22, 1988, the Federal Reserve Board reaffirmed that these types of deposit sweep services violate Regulation D ("Federal Reserve Board Letter").

### **The Parties' Competing Deposit Sweep Services**

27. Promontory began providing processing services to broker-dealers to support deposit sweep arrangements in 2006. Promontory offers such services under the service marks Insured Network Deposits, IND®, and IND2 (hereinafter, all versions collectively referred to as "IND")

28. Promontory has carefully designed IND to comply with applicable laws, regulations and regulatory guidance, and Promontory promotes and markets the service by reference to such compliance. IND does not make withdrawals or transfers from MMDAs established through IND using any of the five methods that allow for unlimited monthly withdrawals or transfers from an MMDA under Regulation D.

29. At present, IND supports numerous broker-dealers in sweeping cash from nearly two million brokerage accounts into deposit accounts at over 70 different banks throughout the country. These deposit accounts contain an aggregate of approximately \$18 billion in customer funds. By supporting the sweeping of funds into multiple banks, the IND service permits broker-dealers to offer each of their eligible customers access to as much as \$1 million or more in FDIC insurance.

30. The Reserve has offered a service to broker-dealers under the service mark Reserve Insured Deposits®. Upon information and belief, the Reserve began offering this service to the public as early as 1997. The Reserve Insured Deposits service directly has competed with Promontory's IND service.



31. Upon information and belief, the Reserve has assisted broker-dealers in establishing MMDAs at banking institutions to hold funds swept from brokerage accounts through the Reserve Insured Deposits service. Upon information and belief, at all relevant times, and in violation of Regulation D, the Reserve has employed messengers to withdraw or transfer funds from the MMDAs and to provide broker-dealer customers with unlimited withdrawals from their brokerage account, including withdrawals by check or debit card.

#### **The Reserve Patents and Related Applications**

32. In late 1998, the Reserve began to file United States patent applications relating to certain aspects of deposit sweep services.

33. On or about October 21, 1998, the Reserve filed U.S. Patent Application No. 09/176,340. This application issued as the '231 patent on or about April 16, 2002. The Reserve had alleged that it owned the '231 patent until the transfer of all its rights to the '231 patent to its wholly-owned subsidiary, Island IP, in December 2008. Island IP has alleged that it owns the '231 patent.

34. Upon information and belief, on or about April 11, 2003, the Reserve filed U.S. Patent Application No. 10/411,650 ("the '650 application") as a continuation-in-part of the '231 patent. The '650 application was unpublished by the PTO. The Reserve had alleged that it owned the '650 application until the transfer of all its rights to the '650 patent application to its wholly-owned subsidiary, Island IP, in December 2008.

35. The '650 application issued as the '286 patent on or about March 24, 2009. Upon information and belief, Island IP alleges that it owns the '286 patent.

36. Upon information and belief, the Reserve has filed several other U.S. patent applications that are related to the Reserve Patents, including U.S. Patent Applications Nos. 09/677,535; 10/071,053; 10/305,439; 10/382,946; 10/825,440; 11/149,278; 11/641,046;

11/689,247; 11/767,827; 11/767,837; 11/767,846; 11/767,856; 11/840,052; 11/840,060; 11/840,064; 11/932,762; 12/025,402; 12/271,705 and 12/340,026 (collectively, "the Related Applications").

37. The alleged "invention" of the Reserve Patents and the Related Applications that have been published is the attempt to employ a deposit sweep service that purports to avoid the provision in Regulation D imposing a monthly limit on certain types of transfers that an individual can make from MMDAs and other savings deposits. The alleged "invention" of the '286 patent also concerns the use, in a deposit sweep service, of the well-established legal principle that a depositor may obtain FDIC insurance above the limit imposed upon a single depositor at a single institution by placing funds in more than one insured account. Accordingly, the Reserve Patents and Related Applications do not disclose and claim inventions.

38. The claimed methods and systems of the Reserve Patents and Related Applications are limited to making withdrawals and transfers from MMDAs and other insured deposit accounts to transaction accounts using one of the five specific methods identified in Regulation D -- namely, by mail, messenger, automated teller machine, by telephone (via check mailed to the depositor), or in person.

39. The Reserve Patents and Related Applications require the use of one of these five methods for making withdrawals and transfers from insured deposit accounts in an attempt to provide transaction accounts (e.g., brokerage accounts) that are not subject to Regulation D's limits on the number of withdrawals or transfers that a customer may make from an MMDA in a month. Because the Federal Reserve Board has determined that this arrangement does not comply with Regulation D, practicing the claimed methods and systems of the Reserve Patents

and Related Applications violates applicable banking laws and regulations, including Regulation D.

**The Reserve Parties' Failure to Disclose Information  
About Prior Deposit Sweep Services to the PTO**

40. Upon information and belief, when the Reserve filed its patent applications with the PTO, the Reserve knew about deposit sweep services offered and used years ago by other financial institutions that were the same or similar in material respects to the claimed methods and systems of the Reserve's patent applications. These services include, without limitation, Merrill Lynch's Original 1983 CMA/ISA Service and 2000 CMA 2.0 Service. In addition, upon information and belief, when the Reserve filed its patent applications with the PTO, the Reserve knew about printed publications describing methods and systems for deposit sweep services that were published more than one year before the Reserve filed any of its patent applications

41. Upon information and belief, during the prosecution of its patent applications before the PTO, the Reserve Parties failed to disclose or misrepresented information about these services, and the Reserve Parties failed to disclose, or made misrepresentations about, the printed publications describing deposit sweep services.

42. In addition, when the Reserve filed its patent applications, it knew about its own Reserve Insured Deposits service, which it has asserted is covered by the claims of one or more of the Reserve Patents and Related Applications. Upon information and belief, the Reserve sold, offered for sale, or publicly used one or more versions of the Reserve Insured Deposits service more than one year before the filing dates of each of its patent applications.

43. The Reserve failed to disclose to the PTO material information about the Reserve Insured Deposits service during the prosecution of the application that led to the '231 patent.

Upon information and belief, the Reserve Parties also failed to disclose to the PTO, for several years during the pendency of the application that led to the '286 patent, material information about the Reserve Insured Deposits service. The Reserve eventually disclosed information about the Reserve Insured Deposits service in connection with this application, but only after it received letters from Promontory reminding the Reserve of its obligation to disclose such information, and even then its disclosure was inadequate and misleading. Furthermore, while the Reserve belatedly disclosed information about the Reserve Insured Deposits service to the PTO, it denied selling, offering for sale, publicly using, and advertising the Reserve Insured Deposits service before October 21, 1997, when in fact a magazine publicly distributed in September 1997 contained an advertisement for the Reserve Insured Deposits service. After Promontory brought this to the Reserve's attention, the Reserve was forced to amend its pending patent applications.

44. More recently, the Reserve Parties continued the practice of failing to properly disclose prior art, and providing misleading statements to the PTO in the prosecution of the Reserve Patents and Related Applications. Promontory notified the Reserve Parties, in a letter dated February 23, 2009, that the Reserve had failed to disclose to the PTO relevant prior art in the form of the Merrill Lynch Banking Advantage program ("the MLBA program"). In response, the Reserve Parties submitted a certification made by the Reserve Parties' patent attorney in the March 3, 2009, Information Disclosure Statement ("IDS") in U.S. Patent Application No. 10/071,053, in which the Reserve Parties disclosed two publications about the MLBA program. The certification continued that "to the knowledge of the undersigned, after making reasonable inquiry, no item of information contained in the [IDS] was known to any individual designated in 37 C.F.R. § 1.56(c) more than three months prior to the filing of the [IDS]." Upon information and belief, it appears that Bruce Bent II, one of the named inventors of

the Reserve Patents and Related Applications, was aware of the MLBA program long before the filing of the IDS, as evidenced by his comments about the program in a November 1, 2000 article in *On Wall Street*.

**The Reserve Parties' Assertion of Its Alleged Patent Rights Against Promontory**

45. Since at least 2006, the Reserve has falsely asserted that Promontory's IND service practices one or more of the Reserve Patents and Related Applications.

46. The Reserve sent a letter dated May 24, 2006, to Promontory regarding the '231 patent, the application that led to the '286 patent, and some of the Related Applications. The letter stated that its purpose is "to advise [Promontory] of certain intellectual property rights owned by the Reserve which may be of interest to Promontory in connection with its Promontory Deposit Sweep Service or other FDIC insured money market account processing services." The letter further stated that "[t]he Reserve would be willing to license, on reasonable and competitive rates, its rights in the '231 Patent," the application that led to the '286 patent, certain other applications, and "the remainder of its patent portfolio."

47. Promontory responded to the Reserve's May 24, 2006, letter in a letter dated June 30, 2006. In this letter, Promontory stated, among other things, that it "does not practice The Reserve's claimed invention and does not wish to do so." Nevertheless, Promontory noted that "[i]f [the Reserve] believes that Promontory for some reason is required to be licensed, [Promontory] would appreciate receiving a detailed explanation of the basis for its belief."

48. The Reserve's responsive letter dated July 12, 2006, stated that "Promontory's exposure to the published claims of the pending applications has already commenced to the extent it practices such claims and claims commensurate in scope ultimately issue from the U.S. Patent and Trademark Office, as we believe will occur."

49. In a responsive letter dated July 18, 2006, Promontory reaffirmed that "it has no interest in [the Reserve's deposit sweep] methods or systems."

50. In a letter dated March 2, 2007, the Reserve referred to publications of the application that led to the '286 patent and another application, and the Reserve asserted that Promontory practices the claims of these applications. The letter stated, "We continue to expect that claims commensurate in scope with the claims included in these published applications as well as the prior published applications identified in our earlier correspondence will be issuing in the near future. We believe that [Promontory] should reconsider its current conduct and the irreparable harm such conduct is causing The Reserve through, among other things, the price erosion caused by [Promontory's] pricing practices and [Promontory's] sale of competitive products coming within the scope of these claims."

51. Promontory responded to the Reserve's March 2, 2007, letter in a letter dated May 1, 2007. In this letter, Promontory urged the Reserve to "proceed with caution with these allegations, as any reasonable investigation will lead to the conclusion that there is no good faith basis for asserting that Promontory's conduct falls within the scope of any valid and enforceable claim." Promontory also observed in this letter that "every claim of The Reserve's pending applications that the PTO has examined currently stands rejected."

52. Most recently, in a letter to Promontory's counsel dated March 10, 2009, the Reserve Parties reiterated their allegation that Promontory was wrongly using the purported inventions claimed in the '231 patent, the application for the '286 patent, as well as the pending Related Applications, reciting

[Y]our June 30, 2006 letter which categorically denied Promontory's use of the claimed invention and incorrectly asserted that the '231 Patent and the pending patent applications "circumvent, if not violate, federal regulatory requirements." Your client, or at least its banking counsel, should have realized that both of these assertions were untrue. [...]

Since that time, your client's willful misappropriation of Double Rock's inventions to compete with Double Rock has resulted in substantial harm to Double Rock, including the loss of several clients, and has eroded Double Rock's profits on the products it has been able to sell.

53. The Reserve Parties have never provided Promontory with any explanation of its assertion that Promontory's IND service practices the Reserve Patents and Related Applications.

54. The Reserve's assertions were and are objectively baseless because no reasonable litigant could expect to succeed on a claim that IND infringes any of the Reserve Patents and Applications for at least the following reasons: (a) the IND service does not make withdrawals or transfers from MMDAs using one of the five methods identified in Regulation D, which are required to be used by the Reserve Patents and Related Applications; (b) the Reserve Patents and Related Applications are invalid in light of the Reserve Parties' own deposit sweep service, the prior deposit sweep services of other financial institutions, the printed publications identified herein, and other prior art; (c) the Reserve Patents and Related Applications are invalid under 35 U.S.C. §§ 101 and 112 because the claimed methods and systems are illegal under the banking laws and regulations; and (d) the Reserve Patents and Related Applications are unenforceable due to inequitable conduct, described more fully below.

#### **The Reserve's Interference with Promontory's Business Relationships**

55. Since at least 2006, the Reserve has interfered with Promontory's actual and potential business relationships relating to IND. Among other things, the Reserve has made false assertions to Promontory's actual and prospective customers and service providers that IND practices one or more of the Reserve Patents and Applications.

56. For example, the Reserve has communicated with Linsco/Private Ledger Corporation ("LPL"), Dreyfus Corporation ("Dreyfus"), Oppenheimer & Co., Inc. ("Oppenheimer"), Reich & Tang Asset Management, LLC ("Reich & Tang"), and A.G. Edwards

& Sons, Inc. ("A.G. Edwards"). Upon information and belief, at the time the Reserve made each such communication, the Reserve knew or should have known the third party was an actual or prospective customer of Promontory's IND service and/or had a business relationship with Promontory relating to IND.

57. In the Reserve's communications, it has identified some or all of the Reserve Patents and Related Applications, and has asserted or suggested that Promontory's IND service, the use thereof, or the provision of services in relation thereto, practices one or more of the Reserve Patents and Related Applications. The Reserve has further stated to some of these third parties that liability for patent infringement on the part of the third party may have already commenced. Some of the communications have invited the recipient to commence a business relationship with the Reserve for the provision of deposit sweep services.

58. These false and misleading statements to Promontory's customers and service providers have harmed Promontory by, among other things, causing it to lose A.G. Edwards' deposit sweep business, incur expenses to repair these business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with its IND service.

## **CAUSES OF ACTION**

### **COUNT I**

#### **Declaratory Judgment of Non-Infringement of the '231 Patent**

59. The allegations contained in paragraphs numbered 1 through 58 are incorporated by reference herein with the same force and effect as if set forth in full below.

60. Promontory does not infringe, directly or indirectly, any claim of the '231 patent.



61. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether Promontory infringes any claim of the '231 patent. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

62. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that it does not infringe any claim of the '231 patent, and any other relief that the Court deems necessary or proper.

63. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

## **COUNT II**

### **Declaratory Judgment of Invalidity of the '231 Patent**

64. The allegations contained in paragraphs numbered 1 through 63 are incorporated by reference herein with the same force and effect as if set forth in full below.

65. Each and every claim of the '231 patent is invalid under one or more of the provisions of Title 35 of the United States Code, including without limitation one or more of 35 U.S.C. §§ 101, 102, 103, 112, 116, and 135.

66. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether each and every claim of the '231 patent is invalid. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

67. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that each and every claim of the '231 patent is invalid, and any other relief that the Court deems necessary or proper.

68. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

### **COUNT III**

#### **Declaratory Judgment of Unenforceability of the '231 Patent**

69. The allegations contained in paragraphs numbered 1 through 68 are incorporated by reference herein with the same force and effect as if set forth in full below.

70. The '231 patent is unenforceable because one or more persons involved in the prosecution of the application that led to the '231 patent or applications related to the '231 patent committed inequitable conduct. Upon information and belief, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties breached the duty of candor, good faith, and honesty in prosecuting these applications by submitting false or misleading information, misrepresenting information, or failing to disclose information material to the patentability of the claimed inventions.

71. Upon information and belief, during the prosecution of the application that led to the '231 patent, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve submitted misrepresented or failed to disclose to the PTO material information about the Reserve Insured Deposits service. Upon information and belief, the Reserve Insured Deposits service was on sale and/or in public use more than one year prior to the date of the application that resulted in the '231 patent, or the Reserve Insured Deposits service otherwise constitutes prior art with respect to the '231 patent under 35 U.S.C. § 102. The Reserve has asserted that its Reserve Insured Deposits service embodies one or more claims of the '231 patent, and, for at least this reason, information about the service was material to the patentability of one or more of the claims of the application. Upon information and belief, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve misrepresented or failed to disclose material information about the Reserve Insured Deposits service with the intent to deceive the PTO. This constitutes inequitable conduct and renders the '231 patent unenforceable.

72. Upon information and belief, during the prosecution of the application that led to the '231 patent, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve misrepresented or failed to disclose material information to the PTO about the Original 1983 CMA/ISA Service. The Original 1983 CMA/ISA Service was on sale and/or in public use more than one year prior to the date of the application that resulted in the '231 patent, and information about the service was material to the patentability of one or more of the claims of the application. Upon information and belief, with the intent to deceive the PTO, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve were aware of material information about the Original 1983 CMA/ISA Service during the prosecution of the application that resulted in the '231 patent and misrepresented or failed to disclose material information about the Original 1983 CMA/ISA Service. This constitutes inequitable conduct and renders the '231 patent unenforceable.

73. Upon information and belief, during the prosecution of the application that led to the '231 patent, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve failed to disclose certain printed publications describing deposit sweep services, including without limitation: a letter from William W. Wiles, Secretary of the Federal Reserve Board, dated June 22, 1983; a letter from Michael Bradfield, General Counsel of the Federal Reserve Board, dated November 16, 1984; and letters from Oliver I. Ireland, Associate General Counsel of the Federal Reserve Board, dated June 22, 1988, February 7, 1995, August 1, 1995, August 30, 1995, and October 18, 1996. Each of these printed publications was material to the patentability of one or more of the claims of the application that resulted in the '231 patent. Upon information and belief, with the intent to deceive the PTO, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve were aware of each of these

printed publications during the prosecution of the application and failed to disclose the publications. This constitutes inequitable conduct and renders the '231 patent unenforceable.

74. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether the '231 patent is unenforceable. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

75. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that the '231 patent is unenforceable, and any other relief that the Court deems necessary or proper.

76. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

#### **COUNT IV**

##### **Declaratory Judgment of Non-Infringement of the '286 Patent**

77. The allegations contained in paragraphs numbered 1 through 76 are incorporated by reference herein with the same force and effect as if set forth in full below.

78. Promontory does not infringe, directly or indirectly, any claim of the '286 patent.

79. An actual and justiciable controversy exists between Promontory and the Reserve as to whether Promontory infringes any claim of the '286 patent. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

80. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that it does not infringe any claim of the '286 patent, and any other relief that the Court deems necessary or proper.

81. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

## **COUNT V**

### **Declaratory Judgment of Invalidity of the '286 Patent**

82. The allegations contained in paragraphs numbered 1 through 81 are incorporated by reference herein with the same force and effect as if set forth in full below.

83. Each and every claim of the '286 patent is invalid under one or more of the provisions of Title 35 of the United States Code, including without limitation one or more of 35 U.S.C. §§ 101, 102, 103, 112, 116, and 135.

84. An actual and justiciable controversy exists between Promontory and the Reserve as to whether each and every claim of the '286 patent is invalid. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

85. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that each and every claim of the '286 patent is invalid, and any other relief that the Court deems necessary or proper.

86. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

## **COUNT VI**

### **Declaratory Judgment of Unenforceability of the '286 Patent**

87. The allegations contained in paragraphs numbered 1 through 86 are incorporated by reference herein with the same force and effect as if set forth in full below.

88. The '286 patent is unenforceable because one or more persons involved in the prosecution of the application that led to the '286 patent or applications related to the '286 patent committed inequitable conduct. Upon information and belief, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties breached the duty of candor, good faith, and honesty in prosecuting these

applications by submitting false or misleading information, misrepresenting information, or failing to disclose information material to the patentability of the claimed inventions.

89. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties submitted misrepresented or failed to disclose to the PTO material information about the Original 1983 CMA/ISA Service. The Original 1983 CMA/ISA Service was on sale and/or in public use more than one year prior to the date of application of the '286 patent, and information about the Original 1983 CMA/ISA Service was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of material information about the Original 1983 CMA/ISA Service and misrepresented or failed to disclose material information about the Original 1983 CMA/ISA Service. This constitutes inequitable conduct and renders the '286 patent unenforceable.

90. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties misrepresented or failed to disclose to the PTO material information about the 2000 CMA 2.0 Service. The 2000 CMA 2.0 Service was on sale and/or in public use, and described in printed publications, before the alleged invention of the '286 patent or otherwise constitutes prior art under 35 U.S.C. § 102, and information about the service was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent,

with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of material information about the 2000 CMA 2.0 Service and misrepresented or failed to disclose material information about the 2000 CMA 2.0 Service. This constitutes inequitable conduct and renders the '286 patent unenforceable.

91. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties misrepresented or failed to disclose to the PTO material information about the MLBA program. The MLBA program was on sale and/or in public use, and described in printed publications, before the alleged invention of the '286 patent or otherwise constitutes prior art under 35 U.S.C. § 102, and information about the service was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of material information about the MLBA program and misrepresented or failed to disclose material information about the MLBA program. This constitutes inequitable conduct and renders the '286 patent unenforceable.

92. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties failed to disclose, or made misrepresentations about, certain printed publications describing deposit sweep services, including without limitation: a letter from William W. Wiles, Secretary of the Federal Reserve Board, dated June 22, 1983; a letter from Michael Bradfield, General Counsel of the Federal Reserve Board, dated November 16, 1984;

and letters from Oliver L. Ireland, Associate General Counsel of the Federal Reserve Board, dated June 22, 1988, February 7, 1995, August 1, 1995, August 30, 1995, and October 18, 1996. Each of these printed publications was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of each of these printed publications and failed to disclose, or made misrepresentations about, the publications. This constitutes inequitable conduct and renders the '286 patent unenforceable.

93. The inequitable conduct committed in connection with the prosecution of the '231 patent also renders the '286 patent unenforceable, because this inequitable conduct relates to the claims of the '286 patent.

94. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether each and every claim of the '286 patent is unenforceable. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

95. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that each and every claim of the '286 patent is unenforceable, and any other relief that the Court deems necessary or proper.

96. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

## **COUNT VII**

### **Tortious Interference with Business Relations**

97. The allegations contained in paragraphs numbered 1 through 96 are incorporated by reference herein with the same force and effect as if set forth in full below.



98. The Reserve has provided deposit sweep services that competed with Promontory's IND service.

99. Promontory has and has had valid present and prospective business relationships or expectancies with third parties relating to the IND service ("IND Third Parties"), including, without limitation, LPL, Drefyus, Oppenheimer, Reich & Tang, and A.G. Edwards. These business relationships or expectancies bore or bear a probability of future economic benefit to Promontory.

100. The Reserve knew and continues to know of the existence of Promontory's business relationships and expectancies.

101. Despite this knowledge, the Reserve has falsely and misleadingly asserted to IND Third Parties that Promontory's IND service practices one or more of the Reserve Patents and Applications. In addition, the Reserve has falsely and misleadingly asserted to IND Third Parties that they may incur liability for infringement of one or more of these patents, and these applications if and when they issue, by using the IND service or by continuing their business relationships with Promontory. Upon information and belief, the Reserve made these false assertions with the intent to interfere with Promontory's actual and prospective business relationships and expectancies.

102. The Reserve's actions were and are without privilege or justification, and the Reserve employed improper methods in its interference, including misrepresentations, deceit, defamation, unfair competition, and baseless assertions of legal rights. Upon information and belief, the Reserve made the false and misleading assertions described above in bad faith, and the Reserve knew or should have known that such assertions were false and objectively baseless.

103. The Reserve made these false and misleading assertions to A.G. Edwards in 2007 when Promontory and the Reserve were each in discussions with A.G. Edwards to provide services in support of A.G. Edwards' deposit sweep arrangement. At the time the Reserve made these false and misleading assertions to A.G. Edwards, the Reserve knew or should have known that Promontory was in discussions with A.G. Edwards. As a result of the Reserve's false and misleading assertions, A.G. Edwards decided not to use Promontory's services and terminated discussions with Promontory, and A.G. Edwards selected the Reserve to provide such services. But for the Reserve's conduct, A.G. Edwards would not have rejected Promontory to provide such services.

104. As a result of the Reserve's conduct, Promontory's goodwill with the IND Third Parties has been diminished, and the Reserve has attempted, and will continue to attempt, to divert business to the Reserve that would have gone to Promontory. Further, the Reserve's conduct has caused Promontory to lose business, incur expenses to repair business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with the IND service.

105. The foregoing conduct by the Reserve constitutes tortious interference with Promontory's business relationships and expectancies.

106. As a consequence of the foregoing, Promontory has suffered and will continue to suffer irreparable harm and loss. Unless enjoined as requested herein, the Reserve will persist in its wrongful and unlawful activities, and Promontory will be irreparably harmed.

107. In addition, Promontory has been and continues to be damaged by the Reserve's actions, and Promontory seeks judgment against the Reserve in an amount to be determined at trial.

## **COUNT VIII**

### **Unfair Competition under Applicable State Law**

108. The allegations contained in paragraphs numbered 1 through 107 are incorporated by reference herein with the same force and effect as if set forth in full below.

109. The Reserve has provided deposit sweep services that competed with Promontory's IND service.

110. The Reserve has falsely and misleadingly asserted in the marketplace for deposit sweep services that the IND service practices one or more of the Reserve Patents and Related Applications. In addition, the Reserve has falsely and misleadingly asserted to IND customers, users, and service providers that they may incur liability for infringement of one or more of these patents, and these applications if and when they issue, by using the IND service.

111. Upon information and belief, the Reserve made these false assertions regarding Promontory's IND service in bad faith, and the Reserve knew or should have known that such assertions were false and objectively baseless. Upon information and belief, the Reserve has made these false assertions for the purposes of causing harm to Promontory's business and misappropriating Promontory's labor, skill, expenditures, and commercial advantages.

112. Upon information and belief, the Reserve's deposit sweep service violates certain banking laws and regulations, including, without limitation, Regulation D. The Reserve has violated these laws and regulations in order to misappropriate Promontory's labor, skill, expenditures, and commercial advantages.

113. As a result of the Reserve's conduct, Promontory has lost business and customers to the Reserve. In addition, Promontory's goodwill in the marketplace for deposit sweep services has been diminished, and the Reserve has attempted, and will continue to attempt, to divert business to the Reserve that would have gone to Promontory. Further, the Reserve's

conduct has caused Promontory to incur expenses to repair business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with the IND service.

114. The foregoing conduct of the Reserve constitutes unfair competition.

115. As a result of the foregoing, Promontory has suffered and will continue to suffer irreparable harm and loss. Unless enjoined as requested herein, the Reserve will persist in its wrongful and unlawful activities, and Promontory will thereby continue to be irreparably harmed.

116. In addition, Promontory has been and continues to be damaged by the Reserve's actions. Promontory seeks judgment in an amount to be determined at trial for compensatory damages.

#### **COUNT IX**

##### **Unfair Competition in Violation of Section 43(a) of the Lanham Act**

117. The allegations contained in paragraphs numbered 1 through 116 are incorporated by reference herein with the same force and effect as if set forth in full below.

118. The Reserve has falsely and misleadingly asserted in the marketplace for deposit sweep services that the IND service practices one or more of the Reserve Patents and Related Applications. In addition, the Reserve has falsely and misleadingly asserted to IND customers, users, and service providers that they may incur liability for infringement of one or more of these patents, and these applications if and when they issue, by using the IND service.

119. The Reserve made these false and misleading statements in interstate commerce and in the course of commercial advertising or promotion, and the statements have been sufficiently disseminated in the market for deposit sweep services.

120. The Reserve's false and misleading statements are material, and have actually deceived or have a tendency to deceive actual and prospective customers of Promontory's IND service.

121. Upon information and belief, the Reserve made these false and misleading assertions regarding Promontory's IND service in bad faith, and the Reserve knew or should have known that such assertions were false and objectively baseless.

122. As a result of the Reserve's conduct, Promontory's goodwill in the marketplace for deposit sweep services has been diminished, and the Reserve has attempted, and will continue to attempt, to divert business from Promontory. Further, the Reserve's conduct has caused Promontory to lose business, incur expenses to repair business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with the IND service.

123. The foregoing conduct constitutes unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

124. As a result of the foregoing, Promontory has suffered and will continue to suffer irreparable harm and loss. Unless enjoined as requested herein, the Reserve will persist in its wrongful and unlawful activities, and Promontory will thereby continue to be irreparably harmed.

125. In addition, Promontory has been or is likely to be damaged by the Reserve's actions. Promontory seeks judgment in an amount to be determined at trial for compensatory damages, and the award of attorney's fees and costs pursuant to the Lanham Act.

## **DEMAND FOR JUDGMENT**

WHEREFORE, Plaintiff Promontory Interfinancial Network, LLC respectfully requests that this Court grant the following relief:

- a. Declare that Promontory does not infringe any claim of the '231 patent;
- b. Declare that each and every claim of the '231 patent is invalid;
- c. Declare that each and every claim of the '231 patent is unenforceable;
- d. Declare that Promontory does not infringe any claim of the '286 patent;
- e. Declare that each and every claim of the '286 patent is invalid;
- f. Declare that each and every claim of the '286 patent is unenforceable;
- g. Award Promontory damages in an amount to be determined at trial to compensate it for all losses suffered as a result of the Reserve's conduct;
- h. Order the Reserve to account for and pay as damages to Promontory all profits and advantages gained from the Reserve's false and misleading assertions regarding Promontory's IND service;
- i. Award Promontory punitive damages in an amount to be proved at trial;
- j. Award Promontory equitable relief, including a preliminary and permanent injunction against the Reserve Parties from (a) enforcing or attempting to enforce the '231 patent and the '286 patent against Promontory's customers and service providers, and (b) making false or misleading assertions regarding the IND service or Promontory to actual or prospective customers or service providers of Promontory;
- k. Find this case "exceptional" within the meaning of 35 U.S.C. § 285 and award Promontory all reasonable attorneys fees, expenses, and costs;
- l. Award Promontory such reasonable attorney fees, interest, and costs pursuant to the Lanham Act and as otherwise provided by law; and

m. Award such other relief as this Court deems just and proper.

Dated: March 24, 2009

Respectfully submitted,

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# EXHIBIT D



UNITED STATES DISTRICT COURT

for the

Eastern District of Virginia

PROMONTORY INTERFINANCIAL NETWORK, LLC

*Plaintiff*

v.

DOUBLE ROCK COPR, p/k/a RESERVE MGMT  
CORP., et al.

*Defendant*

Civil Action No. 1:09 cv 316

**AMENDED COMPLAINT  
SUMMONS IN A CIVIL ACTION**

To: *(Defendant's name and address)*

LIDs Capital LLC  
1250 Broadway  
New York, New York 10001

A lawsuit has been filed against you.

Within 20 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Andrew A. Nicely  
Mayer Brown LLP  
1909 K Street, NW  
Washington, D.C. 20006-1101

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

**Fernando Galindo, Clerk**

CLERK OF COURT

Date:

MARCH 27, 2009

*Paulina A. Miller*

Signature of Clerk or Deputy Clerk

Civil Action No. \_\_\_\_\_

**PROOF OF SERVICE**

*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* \_\_\_\_\_  
was received by me on *(date)* \_\_\_\_\_.

☐ I personally served the summons on the individual at *(place)* \_\_\_\_\_  
on *(date)* \_\_\_\_\_; or

☐ I left the summons at the individual's residence or usual place of abode with *(name)* \_\_\_\_\_  
\_\_\_\_\_, a person of suitable age and discretion who resides there,  
on *(date)* \_\_\_\_\_, and mailed a copy to the individual's last known address; or

☐ I served the summons on *(name of individual)* \_\_\_\_\_, who is  
designated by law to accept service of process on behalf of *(name of organization)* \_\_\_\_\_  
on *(date)* \_\_\_\_\_; or

☐ I returned the summons unexecuted because \_\_\_\_\_; or

☐ Other *(specify)*: \_\_\_\_\_

My fees are \$ \_\_\_\_\_ for travel and \$ \_\_\_\_\_ for services, for a total of \$ \_\_\_\_\_ 0.00.

I declare under penalty of perjury that this information is true.

Date: \_\_\_\_\_

\_\_\_\_\_  
*Server's signature*

\_\_\_\_\_  
*Printed name and title*

\_\_\_\_\_  
*Server's address*

Additional information regarding attempted service, etc:

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF VIRGINIA

FERNANDO GALINDO  
CLERK OF COURT

ALEXANDRIA  
NEWPORT NEWS  
NORFOLK  
RICHMOND

**Notice to Attorneys re: ECF Registration**

Effective March 2, 2009, to file a document or pleading an attorney must be currently registered for Electronic Case Filing (ECF), unless the attorney has been exempted from ECF registration by court order.

*The Application to Qualify as an Attorney of the United States District Court for the Eastern District of Virginia* has been modified to reflect that newly admitted attorneys certify that they will be registered for ECF within 90 days of the date of admission.

## New EDVA ECF Certification Policy

Effective July 1, 2008, the Eastern District of Virginia (EDVA) is implementing a new certification policy for electronic case filing (ECF).

The new policy is as follows:

*We will not process the attorney online ECF registration until attorneys have completed and signed a paper copy of the ECF Certification Form and submitted it to the Clerk's Office, along with a photocopy of a government-issued photo id. A facsimile or PDFed version of the signed form is not acceptable.*

Attorneys who have previously registered for e-filing with us have until July 30, 2008, to comply with the new policy, or their password will be deactivated until they comply.

Copies of the ECF Certification Form are available at each Clerk's Office counter. As well, the ECF Certification Form is available online as follows:

- Go to [www.vaed.uscourts.gov](http://www.vaed.uscourts.gov).
- Click on the CM/ECF button, which is second from the top on the left.
- Go to Required Training/E-Filing Registration (lower right-hand quadrant), and click on the first link.
- Go to Step 4. Click on the link for the ECF Certification Form.
- Complete your registration by following Steps 5-7 as well.

Please note that attorneys are still required to do the following:

- Belong to our bar and/or work for the EDVA U.S. Attorneys Office.
- Have completed the mandatory training requirement either by passing the EDVA online policies and procedures quiz or by taking a live class or both.

Attorneys will have to certify on the ECF Certification Form that they have met these requirements.

Pro Hac attorneys are still not eligible to e-file with the EDVA and should not fill out the ECF Certification Form.

If you have any questions about the new certification policy, please contact the appropriate divisional numbers, as follows:

Alexandria	703-299-2101 or 703-299-2102
Norfolk/Newport News	757-222-7201 or 757-222-7202
Richmond	804-916-2220; push 0 to speak with a clerk

## ECF Certification Form

*Complete this form in its entirety, photocopy a government-issued photo id, and mail or deliver both documents in an envelope addressed as follows: ECF Certification, U.S. District Court, EDVA, Clerk's Office, 401 Courthouse Square, Alexandria, VA 22314-5798. Then, if you haven't already done so, register to e-file online by going to [www.vaed.uscourts.gov](http://www.vaed.uscourts.gov).*

This notice informs all attorneys and their staffs who do business with the United States District Court for the Eastern District of Virginia (EDVA) that improper registration to e-file with us is a serious matter that may have serious consequences. Falsely certifying and/or registering to e-file with the EDVA constitutes making false statements to the Court, which is a grave offense. Such actions may lead to disbarment and a referral to the Virginia State Bar. The Court will act on any known instance of false certification and/or registration for e-filing in the CM/ECF system.

\_\_\_\_\_  
[First Name]

\_\_\_\_\_  
[Middle Name]

\_\_\_\_\_  
[Last Name]

Phone Number: \_\_\_\_\_

Are you a CJA Panel Attorney? *Check the box that applies.*

☐ Yes. ☐ No.

*Check one or both of the boxes below. Fill in your bar number if you check the first box.*

☐ I am a member of the EDVA bar. My Virginia bar number is: \_\_\_\_\_

☐ I am an attorney with the EDVA U.S. Attorney's Office. (If you are not a member of the EDVA bar, you must be a member of the EDVA U.S. Attorney's Office.)

You may not register to e-file with the EDVA until you have completed the mandatory training requirement, either by passing the online EDVA ECF policies and procedures quiz with a score of 92% or higher, or by taking a live class in one of the three divisional courthouses (Alexandria, Richmond, or Norfolk).

*You must check in all the boxes for the items below.*

**As an officer of the Court, I certify the following:**

☐ I passed the EDVA online ECF policies and procedures quiz.

OR

I attended a live class at one of the three EDVA courthouses.

AND

☐ I acknowledge that I may be required to attend live remedial or update training at some point in the future.

AND

☐ A photocopy of a government-issued photo identification accompanies this form.

AND

☐ I agree to abide by all Court rules, orders, and policies and procedures governing the use of the electronic filing system. I also consent to receiving notice of filings pursuant to Federal Rules of Civil Procedure and Federal Rules of Criminal Procedure via the Court's electronic filing system.

\_\_\_\_\_  
[Your signature]

\_\_\_\_\_  
[Date]

## Electronic Case Files (ECF) in the Eastern District of Virginia (EDVA) Overview

- The EDVA will be requiring electronic case filing in all cases filed on or after March 26, 2007. Some exceptions apply, including case opening documents, sealed documents, and consent orders.
  - All cases filed before March 26, 2007, will continue to be filed on paper.
  - The main reference manual for attorneys, the *Electronic Case Filing (E-Filing) Policies and Procedures* manual, is available online for reading or printing.
  - Attorneys who wish to register for the EDVA ECF system must first certify online that they
    - have registered for a PACER account,
    - are members of the EDVA bar or are employees of the U.S. Attorney's Office, and
    - have either passed an online 25-question quiz or attended a live two-three hour class at one of the three courthouses (Alexandria, Richmond, or Norfolk).
  - The EDVA has a CM/ECF section on its Internet site at [www.vaed.uscourts.gov](http://www.vaed.uscourts.gov). Go to the site for all relevant details.
- Some of the information on the Internet site includes the following:
- The *E-Filing Policies and Procedures* manual.
  - Training information, including the online quiz, live class schedules and registration details, and links to online training.
  - Chambers courtesy copies and other division-specific information.
  - Certification and registration specifics.
- Benefits of ECF include the following:
- 24-hour filing.
  - 24-hour access to case files and concurrent access with chambers, clerk's office staff, and other attorneys.
  - e-mail notification of all case activity, including orders of the Court, to counsel of record.

# UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA

## NOTICE

### CONSENT TO TRIAL BY MAGISTRATE JUDGE

Pursuant to Federal Rule of Civil Procedure 73 and 28 U.S.C. § 636(c) you have the right to have your case conducted before a United States magistrate judge upon consent of all parties. In order to proceed before a magistrate judge, a consent form must be filed with the Clerk's Office. It may be filed jointly or separately. The consent form may be printed from the U.S. District Court website (listed below) or obtained from the Clerk's Office. Please refer to the previously mentioned rule for further information.

### FINANCIAL INTEREST DISCLOSURE STATEMENT

Pursuant to Local Rule 7.1, a financial disclosure statement must be filed by a "nongovernmental corporation, partnership, trust, [or] other similar entity that is a party to, or that appears in, an action or proceeding in this Court." This statement should be filed with the party's "first appearance, pleading, petition, motion, response, or other request addressed to the Court". The financial interest disclosure statement may be printed from the U.S. District Court website (listed below) or obtained from the Clerk's Office. Please refer to the previously mentioned rule for further information.

### WEBSITE AND CLERK'S OFFICES ADDRESSES

The website address for the U.S. District Court for the Eastern District of Virginia is [www.vaed.uscourts.gov](http://www.vaed.uscourts.gov). If you do not have access to a computer, contact one of the Clerk's Offices listed below to obtain either of these forms:

Albert V. Bryan United States Courthouse  
401 Courthouse Square  
Alexandria, VA 22314  
(703) 299-2101

Walter E. Hoffman United States Courthouse  
600 Granby Street  
Norfolk, VA 23510  
(757) 222-7201

Spottswood W. Robinson III  
and Robert R. Marriage Jr. Federal Courthouse  
701 East Broad Street  
Suite 300  
Richmond, VA 23219  
(804) 916-2220

U.S. Federal Courthouse  
2400 West Avenue  
Newport News, VA 23607  
(757) 247-0784

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**UNITED STATES DISTRICT COURT**  
**FOR THE**  
**EASTERN DISTRICT OF VIRGINIA**  
**Alexandria Division**

\_\_\_\_\_, Plaintiff

V.

Case Number: \_\_\_\_\_

\_\_\_\_\_, Defendant

**NOTICE OF AVAILABILITY OF A UNITED STATES MAGISTRATE JUDGE  
TO EXERCISE JURISDICTION**

In accordance with the provisions of 28 U.S.C. §636(c), and Fed.R.Civ.P. 73, you are notified that a United States magistrate judge of this district court is available to conduct any or all proceedings in this case including a jury or nonjury trial, and to order the entry of a final judgment. Exercise of this jurisdiction by a magistrate judge is, however, permitted only if all parties voluntarily consent.

You may, without adverse substantive consequences, withhold your consent, but this will prevent the court's jurisdiction from being exercised by a magistrate judge. If any party withholds consent, the identity of the parties consenting or withholding consent will not be communicated to any magistrate judge or to the district judge to whom the case has been assigned.

An appeal from a judgment entered by a magistrate judge shall be taken directly to the United States court of appeals for this judicial circuit in the same manner as an appeal from any other judgment of this district court.

**CONSENT TO THE EXERCISE OF JURISDICTION BY A UNITED STATES MAGISTRATE JUDGE**

In accordance with provisions of 28 U.S.C. §636(c) and Fed.R.Civ.P. 73, the parties in this case consent to have a United States magistrate judge conduct any and all proceedings in this case, including the trial, order the entry of a final judgment, and conduct all post-judgment proceedings.

Party	Signature of Counsel or <i>Pro Se</i> Party	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**ORDER OF REFERENCE**

IT IS ORDERED that this case be referred to a United States Magistrate Judge to conduct all proceedings and order the entry of judgment in accordance with 28 U.S.C. §636(c) and Fed.R.Civ.P. 73.

_____ Date	_____ United States District Judge
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NOTE: RETURN THIS FORM TO THE CLERK OF THE COURT ONLY IF ALL PARTIES HAVE CONSENTED TO THE EXERCISE OF JURISDICTION BY A UNITED STATES MAGISTRATE JUDGE.



**UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION**

**PROMONTORY INTERFINANCIAL  
NETWORK, LLC  
1515 N. Courthouse Road, Suite 800  
Arlington, Virginia 22201**

**Plaintiff,**

**v.**

**DOUBLE ROCK CORPORATION, p/k/a  
RESERVE MANAGEMENT CORPORATION  
1250 Broadway  
New York, New York 10001**

**and**

**ISLAND INTELLECTUAL PROPERTY LLC  
1250 Broadway  
New York, New York 10001**

**and**

**LIDs Capital LLC  
1250 Broadway  
New York, New York 10001**

**Defendants.**

**Civil Action No. 1:09 cv 316  
LO/TRJ**

**JURY TRIAL DEMANDED**

**AMENDED COMPLAINT**

Plaintiff Promontory Interfinancial Network, LLC ("Promontory") brings this action seeking declaratory and injunctive relief and damages against Defendant Double Rock Corporation p/k/a Reserve Management Corporation ("the Reserve"), LIDs Capital LLC ("LIDs

Capital”) and Island Intellectual Property LLC (“Island IP”, collectively with the Reserve and LIDs Capital, “the Reserve Parties”). The Reserve Parties have threatened to assert against Promontory, and its customers, patents that the Reserve Parties obtained through inequitable conduct, that are invalid, and that Promontory does not infringe. To address the harms resulting from the Reserve Parties’ unlawful conduct, Promontory alleges for its complaint as follows:

#### **NATURE OF ACTION**

1. Promontory and the Reserve have competed in the market for providing “deposit sweep services” to broker-dealers. In a deposit sweep service, cash held in customer accounts at broker-dealers is transferred electronically (“swept”) into federally-insured and interest-bearing deposit accounts until the cash is needed by the customer. Financial institutions have offered such services to their customers since at least the early 1980s. Nonetheless, more than ten years later in the late 1990s, the Reserve began filing United States patent applications purporting to claim methods and systems for providing deposit sweep services that are indistinguishable from these earlier services. The methods and systems claimed by the Reserve were well-known when it filed its applications: the “invention” the Reserve sought to patent involves nothing more than the application of longstanding legal principles found in banking statutes, regulations, and court decisions.

2. Knowing that deposit sweep services offered years before would likely prevent it from obtaining any issued patents, during the prosecution of its patent applications the Reserve, and more recently, Island IP, concealed from and misrepresented to the United States Patent and Trademark Office (“PTO”) material information about these earlier services. The Reserve also concealed from and misrepresented to the PTO material information about the Reserve’s own deposit sweep service -- including that it was offered for sale more than one year prior to the first

Reserve patent application. As a result of these concealments and misrepresentations, two of the applications filed by the Reserve Parties have now issued as United States Patents Nos. 6,374,231 ("the '231 patent") and 7,509,286 ("the '286 patent") (collectively, "the Reserve Patents"). The Reserve assigned its rights to the Reserve Patents and related patent applications to Island IP, a wholly owned subsidiary of the Reserve, in December 2008.

3. Promontory offers its customers a deposit sweep service that works in a fundamentally different way than the Reserve's deposit sweep service and the methods and systems that are the subject of the Reserve Patents and related patent applications. The Reserve Parties know or should know that Promontory's service is not covered by these patents and applications and that the Reserve Patents and related patent applications are invalid and unenforceable. Yet the Reserve has falsely stated to Promontory's customers and service providers that Promontory's deposit sweep service practices the Reserve Patents and related applications and that Promontory's customers and service providers may incur liability for patent infringement. This improper and malicious conduct by the Reserve has harmed Promontory's business and reputation and has caused Promontory to lose substantial potential revenue.

4. Accordingly, a substantial, immediate, and real controversy exists between Promontory and the Reserve Parties that can be fully resolved in this action, and therefore, Promontory brings claims under federal law to declare the Reserve Patents invalid, unenforceable, and not infringed, and under federal and state law to address the Reserve's unfair competition and its false statements to Promontory's customers and service providers. Promontory seeks declaratory and injunctive relief, compensatory damages, punitive damages, attorney's fees, and costs.

## **JURISDICTION AND VENUE**

5. This Court has subject matter jurisdiction over Promontory's declaratory judgment claims (Counts I – VI) pursuant to 28 U.S.C. §§ 1331 and 1338(a), because they present a federal question arising under Title 35 of the United States Code, and pursuant to 28 U.S.C. §§ 2201 and 2202, because an actual controversy exists as to the invalidity, unenforceability, and infringement of the Reserve Patents. This Court has supplemental subject matter jurisdiction over Promontory's state law claims (Counts VII – VIII) pursuant to 28 U.S.C. § 1367(a). This Court has subject matter jurisdiction over Promontory's unfair competition claim arising under the Lanham Act, 15 U.S.C. § 1125(a) (Count IX) pursuant to 28 U.S.C. § 1331. This Court also has subject matter jurisdiction over Promontory's state and federal law unfair competition claims (Counts VIII and IX) pursuant to 28 U.S.C. § 1338(b), because they are joined with substantial and related claims under the patent laws.

~~6. Venue in this Court is proper pursuant to 28 U.S.C. § 1391(b), because the~~  
Reserve Parties reside in this judicial district and because a substantial part of the events or omissions giving rise to Promontory's claims occurred in this judicial district.

7. This Court has personal jurisdiction over the Reserve Parties, because, upon information and belief: (i) the Reserve Parties have contracted to supply services or things in this Commonwealth; (ii) the Reserve Parties have caused tortious injury in this Commonwealth by an act or omission outside this Commonwealth; and (iii) the Reserve Parties regularly do or solicit business, and engage in other persistent course of conduct, and derive substantial revenue from goods used or consumed or services rendered, in this Commonwealth.

## **PARTIES**

8. Plaintiff Promontory Interfinancial Network, LLC is a Delaware limited liability company with its principal place of business at 1515 N. Courthouse Road, Arlington, Virginia 22201. Promontory was founded in 2002 by banking-industry leaders, including a former Comptroller of the Currency, Vice Chairman of the Federal Reserve Board, and Chief of Staff of the Federal Deposit Insurance Corporation ("FDIC"). Promontory provides services to the financial services industry, including, among other things, deposit sweep services for broker-dealers.

9. Upon information and belief, Defendant Double Rock Corporation, which was previously known as Reserve Management Corporation, is a New Jersey corporation with its principal place of business at 1250 Broadway, New York, New York 10001. The Reserve is a direct competitor of Promontory in the market for deposit sweep services.

10. Upon information and belief, Defendant Island Intellectual Property LLC, which is a wholly-owned, patent-holding subsidiary of Double Rock Corporation, is a Delaware limited liability company with its principal place of business at 1250 Broadway, New York, New York 10001. The Reserve assigned all rights to the Reserve Patents and related patent applications to Island IP on December 4, 2008. Upon information and belief, throughout the existence of Island IP, Defendant Island IP has been controlled by the Reserve, and Defendants Island IP and the Reserve have acted through the same agents and been represented by the same counsel.

11. Upon information and belief, LIDs Capital, which is a wholly-owned subsidiary of Double Rock Corporation, is a limited liability corporation organized and existing under the laws of Delaware with its principal place of business at 1250 Broadway, New York, New York 10001. Upon information and belief, LIDs Capital is the exclusive licensee of the Reserve Patents and related patent applications. Upon information and belief, throughout the existence of

LIDs Capital, Defendant LIDs Capital has been controlled by the Reserve, and Defendants LIDs Capital and the Reserve have acted through the same agents and been represented by the same counsel.

## **FACTUAL BACKGROUND**

### **Deposit Sweep Services**

12. Broker-dealer customers commonly hold uninvested or "excess" cash in their brokerage accounts. The excess cash held in a brokerage account may result from interest or dividend payments on securities, the sale of securities, or a deposit of cash by the customer. Under SEC regulations, a broker-dealer is not required to pay interest on such excess cash.

13. As a service to their customers, many broker-dealers will automatically invest, or "sweep," the excess cash in a customer's brokerage account into a liquid investment, such as a money market mutual fund or a bank deposit account. Broker-dealers may also offer cash management features on the brokerage account, allowing the customer to write checks, make debit card transactions, and make ATM withdrawals against the cash in the brokerage account. When a customer uses the cash management feature to make such a transaction, the broker-dealer withdraws funds from the money market fund or deposit account to satisfy the debits incurred by the customer.

14. Many broker-dealers that provide sweeps of excess cash offer their customers the option to sweep cash into a deposit account at a bank whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") (hereinafter, "a deposit sweep arrangement"). In a typical deposit sweep arrangement, such as those supported by Promontory on each business day the broker-dealer sweeps excess cash from the brokerage accounts into the deposit accounts and transfers funds back into the brokerage accounts that are necessary to satisfy any withdrawals or transactions by the broker-dealer's customers (e.g., check or debit card transactions).

15. In many deposit sweep arrangements, including those supported by Promontory, the cash swept from the brokerage accounts is primarily held in money market deposit accounts ("MMDAs"), a type of savings account, at one or more banks. Federal banking laws and regulations do not require banks to hold cash reserves against MMDAs so long as depositors are prohibited from making more than six transfers or withdrawals in a month, no more than three of which may be withdrawals by check or debit card, subject to certain exceptions.

16. A deposit sweep arrangement allows a broker-dealer customer to earn interest and obtain FDIC insurance on cash that is not immediately needed and that, if kept in the brokerage account, may not generate interest or obtain FDIC insurance. By using properly designed deposit sweep arrangements, customers can make unlimited transactions, including check and debit card transactions, from their brokerage accounts, while earning interest and/or obtaining FDIC insurance.

17. Some broker-dealers sweep customer funds into MMDAs at multiple banks. This permits the broker-dealer to offer customers FDIC insurance on their deposits in excess of the limit imposed upon a single depositor at a single bank, which is presently \$250,000.

18. Broker-dealers benefit from deposit sweep arrangements because the broker-dealers are typically paid a fee based on a percentage of the deposits placed with the bank.

19. A deposit sweep arrangement also benefits banks that hold swept funds because the arrangement provides such banks with a relatively large, long-term, and stable source of deposits. Further, by complying with the limits on the number of withdrawals or transfers that can be made in a month from an MMDA, such banks generally are not required to hold cash reserves on the swept funds while they are held in an MMDA.

20. Service providers such as Promontory enter into agreements with broker-dealers to provide processing services in connection with a deposit sweep arrangement, and with banks to accept swept funds into deposit accounts. These service providers, including Promontory, typically receive a fee from the banks for their services.

21. Upon information and belief, the first deposit sweep service was developed and offered by Merrill Lynch, Pierce, Fenner & Smith ("Merrill Lynch"). As a broker-dealer, Merrill Lynch offered this service to its brokerage customers at least as early as 1983 as a feature of Merrill Lynch's Cash Management Account ("CMA"), a brokerage account with cash management features. Merrill Lynch called this feature the Insured Savings Account ("ISA") (collectively, "Original 1983 CMA/ISA Service").

22. Since Merrill Lynch introduced the Original 1983 CMA/ISA Service, many broker-dealers and banks have offered similar deposit sweep services to their customers.

23. Upon information and belief, at least as early 1998, Merrill Lynch began developing a second deposit sweep service. Merrill Lynch offered this second service to its brokerage customers at least as early as 2000 under the name Cash Management Account 2.0 ("2000 CMA 2.0 Service").

#### **Regulatory Background**

24. The structure and operation of a deposit sweep service must comply with various banking statutes and regulations, as well as guidance from relevant federal agencies.

25. Under a regulation promulgated by the Federal Reserve Board in 1980, an MMDA depositor "is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a



established through IND using any of the five methods that allow for unlimited monthly withdrawals or transfers from an MMDA under Regulation D.

30. At present, IND supports numerous broker-dealers in sweeping cash from nearly two million brokerage accounts into deposit accounts at over 70 different banks throughout the country. These deposit accounts contain an aggregate of approximately \$18 billion in customer funds. By supporting the sweeping of funds into multiple banks, the IND service permits broker-dealers to offer each of their eligible customers access to as much as \$1 million or more in FDIC insurance.

31. The Reserve has offered a service to broker-dealers under the service mark Reserve Insured Deposits®. Upon information and belief, the Reserve began offering this service to the public as early as 1997. The Reserve Insured Deposits service directly has competed with Promontory's IND service.

32. Upon information and belief, the Reserve has assisted broker-dealers in ~~establishing MMDAs at banking institutions to hold funds swept from brokerage accounts~~ through the Reserve Insured Deposits service. Upon information and belief, at all relevant times, and in violation of Regulation D, the Reserve has employed messengers to withdraw or transfer funds from the MMDAs and to provide broker-dealer customers with unlimited withdrawals from their brokerage account, including withdrawals by check or debit card.

#### **The Reserve Patents and Related Applications**

33. In late 1998, the Reserve began to file United States patent applications relating to certain aspects of deposit sweep services.

34. On or about October 21, 1998, the Reserve filed U.S. Patent Application No. 09/176,340. This application issued as the '231 patent on or about April 16, 2002. The Reserve had alleged that it owned the '231 patent until the transfer of all its rights to the '231 patent to its

wholly-owned subsidiary, Island IP, in December 2008. Island IP has alleged that it owns the '231 patent.

35. Upon information and belief, on or about April 11, 2003, the Reserve filed U.S. Patent Application No. 10/411,650 ("the '650 application") as a continuation-in-part of the '231 patent. The '650 application was unpublished by the PTO. The Reserve had alleged that it owned the '650 application until the transfer of all its rights to the '650 patent application to its wholly-owned subsidiary, Island IP, in December 2008.

36. The '650 application issued as the '286 patent on or about March 24, 2009. Upon information and belief, Island IP alleges that it owns the '286 patent.

37. Upon information and belief, the Reserve has filed several other U.S. patent applications that are related to the Reserve Patents, including U.S. Patent Applications Nos. 09/677,535; 10/071,053; 10/305,439; 10/382,946; 10/825,440; 11/149,278; 11/641,046; 11/689,247; 11/767,827; 11/767,837; 11/767,846; 11/767,856; 11/840,052; 11/840,060; ~~11/840,064; 11/932,762; 12/025,402; 12/271,705 and 12/340,026~~ (collectively, "the Related Applications").

38. The alleged "invention" of the Reserve Patents and the Related Applications that have been published is the attempt to employ a deposit sweep service that purports to avoid the provision in Regulation D imposing a monthly limit on certain types of transfers that an individual can make from MMDAs and other savings deposits. The alleged "invention" of the '286 patent also concerns the use, in a deposit sweep service, of the well-established legal principle that a depositor may obtain FDIC insurance above the limit imposed upon a single depositor at a single institution by placing funds in more than one insured account. Accordingly, the Reserve Patents and Related Applications do not disclose and claim inventions.

preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction, and no more than three of the six such transfers may be made by check, draft, debit card, or similar order made by the depositor and payable to third parties." 12 C.F.R. § 204.2(d)(2) (hereinafter, "Regulation D").

26. Regulation D contains an exception to this general monthly limit for any "transfers or withdrawals [that] are made by mail, messenger, automated teller machine, or in person or when such withdrawals are made by telephone (via check mailed to the depositor) regardless of the number of such transfers or withdrawals."

27. The Federal Reserve Board has provided guidance on whether certain deposit sweep services comply with Regulation D. In an interpretive letter dated June 22, 1983, the Federal Reserve Board concluded that, under Regulation D, a broker-dealer cannot establish MMDAs, in its own name, and utilize a messenger to make withdrawals from the MMDAs on behalf of the broker-dealer's customers, in order to offer those customers unlimited checking or debit card transactions. In a letter dated June 22, 1988, the Federal Reserve Board reaffirmed that these types of deposit sweep services violate Regulation D ("Federal Reserve Board Letter").

#### **The Parties' Competing Deposit Sweep Services**

28. Promontory began providing processing services to broker-dealers to support deposit sweep arrangements in 2006. Promontory offers such services under the service marks Insured Network Deposits, IND®, and IND2 (hereinafter, all versions collectively referred to as "IND")

29. Promontory has carefully designed IND to comply with applicable laws, regulations and regulatory guidance, and Promontory promotes and markets the service by reference to such compliance. IND does not make withdrawals or transfers from MMDAs

39. The claimed methods and systems of the Reserve Patents and Related Applications are limited to making withdrawals and transfers from MMDAs and other insured deposit accounts to transaction accounts using one of the five specific methods identified in Regulation D -- namely, by mail, messenger, automated teller machine, by telephone (via check mailed to the depositor), or in person.

40. The Reserve Patents and Related Applications require the use of one of these five methods for making withdrawals and transfers from insured deposit accounts in an attempt to provide transaction accounts (e.g., brokerage accounts) that are not subject to Regulation D's limits on the number of withdrawals or transfers that a customer may make from an MMDA in a month. Because the Federal Reserve Board has determined that this arrangement does not comply with Regulation D, practicing the claimed methods and systems of the Reserve Patents and Related Applications violates applicable banking laws and regulations, including Regulation D.

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**The Reserve Parties' Failure to Disclose Information  
About Prior Deposit Sweep Services to the PTO**

41. Upon information and belief, when the Reserve filed its patent applications with the PTO, the Reserve knew about deposit sweep services offered and used years ago by other financial institutions that were the same or similar in material respects to the claimed methods and systems of the Reserve's patent applications. These services include, without limitation, Merrill Lynch's Original 1983 CMA/ISA Service and 2000 CMA 2.0 Service. In addition, upon information and belief, when the Reserve filed its patent applications with the PTO, the Reserve knew about printed publications describing methods and systems for deposit sweep services that were published more than one year before the Reserve filed any of its patent applications

42. Upon information and belief, during the prosecution of its patent applications before the PTO, the Reserve Parties failed to disclose or misrepresented information about these services, and the Reserve Parties failed to disclose, or made misrepresentations about, the printed publications describing deposit sweep services.

43. In addition, when the Reserve filed its patent applications, it knew about its own Reserve Insured Deposits service, which it has asserted is covered by the claims of one or more of the Reserve Patents and Related Applications. Upon information and belief, the Reserve sold, offered for sale, or publicly used one or more versions of the Reserve Insured Deposits service more than one year before the filing dates of each of its patent applications.

44. The Reserve failed to disclose to the PTO material information about the Reserve Insured Deposits service during the prosecution of the application that led to the '231 patent. Upon information and belief, the Reserve Parties also failed to disclose to the PTO, for several years during the pendency of the application that led to the '286 patent, material information about the Reserve Insured Deposits service. The Reserve eventually disclosed information about the Reserve Insured Deposits service in connection with this application, but only after it received letters from Promontory reminding the Reserve of its obligation to disclose such information, and even then its disclosure was inadequate and misleading. Furthermore, while the Reserve belatedly disclosed information about the Reserve Insured Deposits service to the PTO, it denied selling, offering for sale, publicly using, and advertising the Reserve Insured Deposits service before October 21, 1997, when in fact a magazine publicly distributed in September 1997 contained an advertisement for the Reserve Insured Deposits service. After Promontory brought this to the Reserve's attention, the Reserve was forced to amend its pending patent applications.

45. More recently, the Reserve Parties continued the practice of failing to properly disclose prior art, and providing misleading statements to the PTO in the prosecution of the Reserve Patents and Related Applications. Promontory notified the Reserve Parties, in a letter dated February 23, 2009, that the Reserve had failed to disclose to the PTO relevant prior art in the form of the Merrill Lynch Banking Advantage program ("the MLBA program"). In response, the Reserve Parties submitted a certification made by the Reserve Parties' patent attorney in the March 3, 2009, Information Disclosure Statement ("IDS") in U.S. Patent Application No. 10/071,053, in which the Reserve Parties disclosed two publications about the MLBA program. The certification continued that "to the knowledge of the undersigned, after making reasonable inquiry, no item of information contained in the [IDS] was known to any individual designated in 37 C.F.R. § 1.56(c) more than three months prior to the filing of the [IDS]." Upon information and belief, it appears that Bruce Bent II, one of the named inventors of the Reserve Patents and Related Applications, was aware of the MLBA program long before the filing of the IDS, as evidenced by his comments about the program in a November 1, 2000 article in *On Wall Street*.

**The Reserve Parties' Assertion of Its Alleged Patent Rights Against Promontory**

46. Since at least 2006, the Reserve has falsely asserted that Promontory's IND service practices one or more of the Reserve Patents and Related Applications.

47. The Reserve sent a letter dated May 24, 2006, to Promontory regarding the '231 patent, the application that led to the '286 patent, and some of the Related Applications. The letter stated that its purpose is "to advise [Promontory] of certain intellectual property rights owned by the Reserve which may be of interest to Promontory in connection with its Promontory Deposit Sweep Service or other FDIC insured money market account processing services." The letter further stated that "[t]he Reserve would be willing to license, on reasonable and

competitive rates, its rights in the '231 Patent," the application that led to the '286 patent, certain other applications, and "the remainder of its patent portfolio."

48. Promontory responded to the Reserve's May 24, 2006, letter in a letter dated June 30, 2006. In this letter, Promontory stated, among other things, that it "does not practice The Reserve's claimed invention and does not wish to do so." Nevertheless, Promontory noted that "[i]f [the Reserve] believes that Promontory for some reason is required to be licensed, [Promontory] would appreciate receiving a detailed explanation of the basis for its belief."

49. The Reserve's responsive letter dated July 12, 2006, stated that "Promontory's exposure to the published claims of the pending applications has already commenced to the extent it practices such claims and claims commensurate in scope ultimately issue from the U.S. Patent and Trademark Office, as we believe will occur."

50. In a responsive letter dated July 18, 2006, Promontory reaffirmed that "it has no interest in [the Reserve's deposit sweep] methods or systems."

~~51. In a letter dated March 2, 2007, the Reserve referred to publications of the~~  
application that led to the '286 patent and another application, and the Reserve asserted that Promontory practices the claims of these applications. The letter stated, "We continue to expect that claims commensurate in scope with the claims included in these published applications as well as the prior published applications identified in our earlier correspondence will be issuing in the near future. We believe that [Promontory] should reconsider its current conduct and the irreparable harm such conduct is causing The Reserve through, among other things, the price erosion caused by [Promontory's] pricing practices and [Promontory's] sale of competitive products coming within the scope of these claims."

52. Promontory responded to the Reserve's March 2, 2007, letter in a letter dated May 1, 2007. In this letter, Promontory urged the Reserve to "proceed with caution with these allegations, as any reasonable investigation will lead to the conclusion that there is no good faith basis for asserting that Promontory's conduct falls within the scope of any valid and enforceable claim." Promontory also observed in this letter that "every claim of The Reserve's pending applications that the PTO has examined currently stands rejected."

53. Most recently, in a letter to Promontory's counsel dated March 10, 2009, the Reserve Parties reiterated their allegation that Promontory was wrongly using the purported inventions claimed in the '231 patent, the application for the '286 patent, as well as the pending Related Applications, reciting

[Y]our June 30, 2006 letter which categorically denied Promontory's use of the claimed invention and incorrectly asserted that the '231 Patent and the pending patent applications "circumvent, if not violate, federal regulatory requirements." Your client, or at least its banking counsel, should have realized that both of these assertions were untrue. [...]

Since that time, your client's willful misappropriation of Double Rock's inventions to compete with Double Rock has resulted in substantial harm to Double Rock, including the loss of several clients, and has eroded Double Rock's profits on the products it has been able to sell.

54. The Reserve Parties have never provided Promontory with any explanation of its assertion that Promontory's IND service practices the Reserve Patents and Related Applications.

55. The Reserve's assertions were and are objectively baseless because no reasonable litigant could expect to succeed on a claim that IND infringes any of the Reserve Patents and Applications for at least the following reasons: (a) the IND service does not make withdrawals or transfers from MMDAs using one of the five methods identified in Regulation D, which are required to be used by the Reserve Patents and Related Applications; (b) the Reserve Patents and Related Applications are invalid in light of the Reserve Parties' own deposit sweep service, the prior deposit sweep services of other financial institutions, the printed publications identified



herein, and other prior art; (c) the Reserve Patents and Related Applications are invalid under 35 U.S.C. §§ 101 and 112 because the claimed methods and systems are illegal under the banking laws and regulations; and (d) the Reserve Patents and Related Applications are unenforceable due to inequitable conduct, described more fully below.

#### **The Reserve's Interference with Promontory's Business Relationships**

56. Since at least 2006, the Reserve has interfered with Promontory's actual and potential business relationships relating to IND. Among other things, the Reserve has made false assertions to Promontory's actual and prospective customers and service providers that IND practices one or more of the Reserve Patents and Applications.

57. For example, the Reserve has communicated with Linsco/Private Ledger Corporation ("LPL"), Dreyfus Corporation ("Dreyfus"), Oppenheimer & Co., Inc. ("Oppenheimer"), Reich & Tang Asset Management, LLC ("Reich & Tang"), and A.G. Edwards & Sons, Inc. ("A.G. Edwards"). Upon information and belief, at the time the Reserve made each such communication, the Reserve knew or should have known the third party was an actual or prospective customer of Promontory's IND service and/or had a business relationship with Promontory relating to IND.

58. In the Reserve's communications, it has identified some or all of the Reserve Patents and Related Applications, and has asserted or suggested that Promontory's IND service, the use thereof, or the provision of services in relation thereto, practices one or more of the Reserve Patents and Related Applications. The Reserve has further stated to some of these third parties that liability for patent infringement on the part of the third party may have already commenced. Some of the communications have invited the recipient to commence a business relationship with the Reserve for the provision of deposit sweep services.

59. These false and misleading statements to Promontory's customers and service providers have harmed Promontory by, among other things, causing it to lose A.G. Edwards' deposit sweep business, incur expenses to repair these business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with its IND service.

## **CAUSES OF ACTION**

### **COUNT I**

#### **Declaratory Judgment of Non-Infringement of the '231 Patent**

60. The allegations contained in paragraphs numbered 1 through 58 are incorporated by reference herein with the same force and effect as if set forth in full below.

61. Promontory does not infringe, directly or indirectly, any claim of the '231 patent.

62. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether Promontory infringes any claim of the '231 patent. This controversy is of ~~sufficient immediacy and reality to warrant the issuance of a declaratory judgment.~~

63. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that it does not infringe any claim of the '231 patent, and any other relief that the Court deems necessary or proper.

64. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

### **COUNT II**

#### **Declaratory Judgment of Invalidity of the '231 Patent**

65. The allegations contained in paragraphs numbered 1 through 63 are incorporated by reference herein with the same force and effect as if set forth in full below.

66. Each and every claim of the '231 patent is invalid under one or more of the provisions of Title 35 of the United States Code, including without limitation one or more of 35 U.S.C. §§ 101, 102, 103, 112, 116, and 135.

67. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether each and every claim of the '231 patent is invalid. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

68. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that each and every claim of the '231 patent is invalid, and any other relief that the Court deems necessary or proper.

69. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

### COUNT III

#### Declaratory Judgment of Unenforceability of the '231 Patent

~~70. The allegations contained in paragraphs numbered 1 through 68 are incorporated~~  
by reference herein with the same force and effect as if set forth in full below.

71. The '231 patent is unenforceable because one or more persons involved in the prosecution of the application that led to the '231 patent or applications related to the '231 patent committed inequitable conduct. Upon information and belief, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties breached the duty of candor, good faith, and honesty in prosecuting these applications by submitting false or misleading information, misrepresenting information, or failing to disclose information material to the patentability of the claimed inventions.

72. Upon information and belief, during the prosecution of the application that led to the '231 patent, the Reserve, the named inventors, or attorneys, agents or representatives of the

Reserve submitted misrepresented or failed to disclose to the PTO material information about the Reserve Insured Deposits service. Upon information and belief, the Reserve Insured Deposits service was on sale and/or in public use more than one year prior to the date of the application that resulted in the '231 patent, or the Reserve Insured Deposits service otherwise constitutes prior art with respect to the '231 patent under 35 U.S.C. § 102. The Reserve has asserted that its Reserve Insured Deposits service embodies one or more claims of the '231 patent, and, for at least this reason, information about the service was material to the patentability of one or more of the claims of the application. Upon information and belief, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve misrepresented or failed to disclose material information about the Reserve Insured Deposits service with the intent to deceive the PTO. This constitutes inequitable conduct and renders the '231 patent unenforceable.

73. Upon information and belief, during the prosecution of the application that led to the '231 patent, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve misrepresented or failed to disclose material information to the PTO about the Original 1983 CMA/ISA Service. The Original 1983 CMA/ISA Service was on sale and/or in public use more than one year prior to the date of the application that resulted in the '231 patent, and information about the service was material to the patentability of one or more of the claims of the application. Upon information and belief, with the intent to deceive the PTO, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve were aware of material information about the Original 1983 CMA/ISA Service during the prosecution of the application that resulted in the '231 patent and misrepresented or failed to disclose material information about the Original 1983 CMA/ISA Service. This constitutes inequitable conduct and renders the '231 patent unenforceable.

74. Upon information and belief, during the prosecution of the application that led to the '231 patent, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve failed to disclose certain printed publications describing deposit sweep services, including without limitation: a letter from William W. Wiles, Secretary of the Federal Reserve Board, dated June 22, 1983; a letter from Michael Bradfield, General Counsel of the Federal Reserve Board, dated November 16, 1984; and letters from Oliver I. Ireland, Associate General Counsel of the Federal Reserve Board, dated June 22, 1988, February 7, 1995, August 1, 1995, August 30, 1995, and October 18, 1996. Each of these printed publications was material to the patentability of one or more of the claims of the application that resulted in the '231 patent. Upon information and belief, with the intent to deceive the PTO, the Reserve, the named inventors, or attorneys, agents or representatives of the Reserve were aware of each of these printed publications during the prosecution of the application and failed to disclose the publications. This constitutes inequitable conduct and renders the '231 patent unenforceable.

~~75. An actual and justiciable controversy exists between Promontory and the Reserve~~  
Parties as to whether the '231 patent is unenforceable. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

76. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that the '231 patent is unenforceable, and any other relief that the Court deems necessary or proper.

77. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

#### **COUNT IV**

##### **Declaratory Judgment of Non-Infringement of the '286 Patent**

78. The allegations contained in paragraphs numbered 1 through 76 are incorporated by reference herein with the same force and effect as if set forth in full below.

79. Promontory does not infringe, directly or indirectly, any claim of the '286 patent.

80. An actual and justiciable controversy exists between Promontory and the Reserve as to whether Promontory infringes any claim of the '286 patent. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

81. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that it does not infringe any claim of the '286 patent, and any other relief that the Court deems necessary or proper.

82. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

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#### **~~COUNT V~~**

##### **Declaratory Judgment of Invalidity of the '286 Patent**

83. The allegations contained in paragraphs numbered 1 through 81 are incorporated by reference herein with the same force and effect as if set forth in full below.

84. Each and every claim of the '286 patent is invalid under one or more of the provisions of Title 35 of the United States Code, including without limitation one or more of 35 U.S.C. §§ 101, 102, 103, 112, 116, and 135.

85. An actual and justiciable controversy exists between Promontory and the Reserve as to whether each and every claim of the '286 patent is invalid. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

86. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that each and every claim of the '286 patent is invalid, and any other relief that the Court deems necessary or proper.

87. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

## **COUNT VI**

### **Declaratory Judgment of Unenforceability of the '286 Patent**

88. The allegations contained in paragraphs numbered 1 through 86 are incorporated by reference herein with the same force and effect as if set forth in full below.

89. The '286 patent is unenforceable because one or more persons involved in the prosecution of the application that led to the '286 patent or applications related to the '286 patent committed inequitable conduct. Upon information and belief, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties, ~~breached the duty of candor, good faith, and honesty in prosecuting these~~ applications by submitting false or misleading information, misrepresenting information, or failing to disclose information material to the patentability of the claimed inventions.

90. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties submitted misrepresented or failed to disclose to the PTO material information about the Original 1983 CMA/ISA Service. The Original 1983 CMA/ISA Service was on sale and/or in public use more than one year prior to the date of application of the '286 patent, and information about the Original 1983 CMA/ISA Service was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent,

with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of material information about the Original 1983 CMA/ISA Service and misrepresented or failed to disclose material information about the Original 1983 CMA/ISA Service. This constitutes inequitable conduct and renders the '286 patent unenforceable.

91. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties misrepresented or failed to disclose to the PTO material information about the 2000 CMA 2.0 Service. The 2000 CMA 2.0 Service was on sale and/or in public use, and described in printed publications, before the alleged invention of the '286 patent or otherwise constitutes prior art under 35 U.S.C. § 102, and information about the service was material to the patentability of one or more of the claims of the application that resulted in the '286 patent.

Upon information and belief, during the prosecution of the application that led to the '286 patent, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of material information about the 2000 CMA 2.0 Service and misrepresented or failed to disclose material information about the 2000 CMA 2.0 Service. This constitutes inequitable conduct and renders the '286 patent unenforceable.

92. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties misrepresented or failed to disclose to the PTO material information about the MLBA program. The MBLA program was on sale and/or in public use, and described in printed publications, before the alleged invention of the '286 patent or otherwise constitutes prior



art under 35 U.S.C. § 102, and information about the service was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of material information about the MLBA program and misrepresented or failed to disclose material information about the MLBA program. This constitutes inequitable conduct and renders the '286 patent unenforceable.

93. Upon information and belief, during the prosecution of the application that led to the '286 patent, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties failed to disclose, or made misrepresentations about, certain printed publications describing deposit sweep services, including without limitation: a letter from William W. Wiles, Secretary of the Federal Reserve Board, dated June 22, 1983; a letter from Michael Bradfield, General Counsel of the Federal Reserve Board, dated November 16, 1984; and letters from Oliver I. Ireland, Associate General Counsel of the Federal Reserve Board, dated June 22, 1988, February 7, 1995, August 1, 1995, August 30, 1995, and October 18, 1996. Each of these printed publications was material to the patentability of one or more of the claims of the application that resulted in the '286 patent. Upon information and belief, during the prosecution of the application that led to the '286 patent, with the intent to deceive the PTO, the Reserve Parties, the named inventors, or attorneys, agents or representatives of the Reserve Parties were aware of each of these printed publications and failed to disclose, or made misrepresentations about, the publications. This constitutes inequitable conduct and renders the '286 patent unenforceable.

94. The inequitable conduct committed in connection with the prosecution of the '231 patent also renders the '286 patent unenforceable, because this inequitable conduct relates to the claims of the '286 patent.

95. An actual and justiciable controversy exists between Promontory and the Reserve Parties as to whether each and every claim of the '286 patent is unenforceable. This controversy is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

96. Pursuant to 28 U.S.C. §§ 2201 and 2202, Promontory is entitled to a declaratory judgment that each and every claim of the '286 patent is unenforceable, and any other relief that the Court deems necessary or proper.

97. This is an exceptional case under 35 U.S.C. § 285, entitling Promontory to an award of its attorneys' fees incurred in connection with this action.

## **COUNT VII**

### **Tortious Interference with Business Relations**

~~98. The allegations contained in paragraphs numbered 1 through 96 are incorporated~~  
by reference herein with the same force and effect as if set forth in full below.

99. The Reserve has provided deposit sweep services that competed with Promontory's IND service.

100. Promontory has and has had valid present and prospective business relationships or expectancies with third parties relating to the IND service ("IND Third Parties"), including, without limitation, LPL, Drefyus, Oppenheimer, Reich & Tang, and A.G. Edwards. These business relationships or expectancies bore or bear a probability of future economic benefit to Promontory.

101. The Reserve knew and continues to know of the existence of Promontory's business relationships and expectancies.

102. Despite this knowledge, the Reserve has falsely and misleadingly asserted to IND Third Parties that Promontory's IND service practices one or more of the Reserve Patents and Applications. In addition, the Reserve has falsely and misleadingly asserted to IND Third Parties that they may incur liability for infringement of one or more of these patents, and these applications if and when they issue, by using the IND service or by continuing their business relationships with Promontory. Upon information and belief, the Reserve made these false assertions with the intent to interfere with Promontory's actual and prospective business relationships and expectancies.

103. The Reserve's actions were and are without privilege or justification, and the Reserve employed improper methods in its interference, including misrepresentations, deceit, defamation, unfair competition, and baseless assertions of legal rights. Upon information and belief, the Reserve made the false and misleading assertions described above in bad faith, and the Reserve knew or should have known that such assertions were false and objectively baseless.

104. The Reserve made these false and misleading assertions to A.G. Edwards in 2007 when Promontory and the Reserve were each in discussions with A.G. Edwards to provide services in support of A.G. Edwards' deposit sweep arrangement. At the time the Reserve made these false and misleading assertions to A.G. Edwards, the Reserve knew or should have known that Promontory was in discussions with A.G. Edwards. As a result of the Reserve's false and misleading assertions, A.G. Edwards decided not to use Promontory's services and terminated discussions with Promontory, and A.G. Edwards selected the Reserve to provide such services. But for the Reserve's conduct, A.G. Edwards would not have rejected Promontory to provide such services.

105. As a result of the Reserve's conduct, Promontory's goodwill with the IND Third Parties has been diminished, and the Reserve has attempted, and will continue to attempt, to divert business to the Reserve that would have gone to Promontory. Further, the Reserve's conduct has caused Promontory to lose business, incur expenses to repair business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with the IND service.

106. The foregoing conduct by the Reserve constitutes tortious interference with Promontory's business relationships and expectancies.

107. As a consequence of the foregoing, Promontory has suffered and will continue to suffer irreparable harm and loss. Unless enjoined as requested herein, the Reserve will persist in its wrongful and unlawful activities, and Promontory will be irreparably harmed.

108. In addition, Promontory has been and continues to be damaged by the Reserve's actions, and Promontory seeks judgment against the Reserve in an amount to be determined at trial.

## **COUNT VIII**

### **Unfair Competition under Applicable State Law**

109. The allegations contained in paragraphs numbered 1 through 107 are incorporated by reference herein with the same force and effect as if set forth in full below.

110. The Reserve has provided deposit sweep services that competed with Promontory's IND service.

111. The Reserve has falsely and misleadingly asserted in the marketplace for deposit sweep services that the IND service practices one or more of the Reserve Patents and Related Applications. In addition, the Reserve has falsely and misleadingly asserted to IND customers,

users, and service providers that they may incur liability for infringement of one or more of these patents, and these applications if and when they issue, by using the IND service.

112. Upon information and belief, the Reserve made these false assertions regarding Promontory's IND service in bad faith, and the Reserve knew or should have known that such assertions were false and objectively baseless. Upon information and belief, the Reserve has made these false assertions for the purposes of causing harm to Promontory's business and misappropriating Promontory's labor, skill, expenditures, and commercial advantages.

113. Upon information and belief, the Reserve's deposit sweep service violates certain banking laws and regulations, including, without limitation, Regulation D. The Reserve has violated these laws and regulations in order to misappropriate Promontory's labor, skill, expenditures, and commercial advantages.

114. As a result of the Reserve's conduct, Promontory has lost business and customers to the Reserve. In addition, Promontory's goodwill in the marketplace for deposit sweep services has been diminished, and the Reserve has attempted, and will continue to attempt, to divert business to the Reserve that would have gone to Promontory. Further, the Reserve's conduct has caused Promontory to incur expenses to repair business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with the IND service.

115. The foregoing conduct of the Reserve constitutes unfair competition.

116. As a result of the foregoing, Promontory has suffered and will continue to suffer irreparable harm and loss. Unless enjoined as requested herein, the Reserve will persist in its wrongful and unlawful activities, and Promontory will thereby continue to be irreparably harmed.

117. In addition, Promontory has been and continues to be damaged by the Reserve's actions. Promontory seeks judgment in an amount to be determined at trial for compensatory damages.

## **COUNT IX**

### **Unfair Competition in Violation of Section 43(a) of the Lanham Act**

118. The allegations contained in paragraphs numbered 1 through 116 are incorporated by reference herein with the same force and effect as if set forth in full below.

119. The Reserve has falsely and misleadingly asserted in the marketplace for deposit sweep services that the IND service practices one or more of the Reserve Patents and Related Applications. In addition, the Reserve has falsely and misleadingly asserted to IND customers, users, and service providers that they may incur liability for infringement of one or more of these patents, and these applications if and when they issue, by using the IND service.

120. The Reserve made these false and misleading statements in interstate commerce and in the course of commercial advertising or promotion, and the statements have been sufficiently disseminated in the market for deposit sweep services.

121. The Reserve's false and misleading statements are material, and have actually deceived or have a tendency to deceive actual and prospective customers of Promontory's IND service.

122. Upon information and belief, the Reserve made these false and misleading assertions regarding Promontory's IND service in bad faith, and the Reserve knew or should have known that such assertions were false and objectively baseless.

123. As a result of the Reserve's conduct, Promontory's goodwill in the marketplace for deposit sweep services has been diminished, and the Reserve has attempted, and will continue to attempt, to divert business from Promontory. Further, the Reserve's conduct has

caused Promontory to lose business, incur expenses to repair business relationships, consummate business transactions, correct misimpressions caused by the false statements, and restore the goodwill associated with the IND service.

124. The foregoing conduct constitutes unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

125. As a result of the foregoing, Promontory has suffered and will continue to suffer irreparable harm and loss. Unless enjoined as requested herein, the Reserve will persist in its wrongful and unlawful activities, and Promontory will thereby continue to be irreparably harmed.

126. In addition, Promontory has been or is likely to be damaged by the Reserve's actions. Promontory seeks judgment in an amount to be determined at trial for compensatory damages, and the award of attorney's fees and costs pursuant to the Lanham Act.

#### **DEMAND FOR JUDGMENT**

~~WHEREFORE, Plaintiff Promontory Interfinancial Network, LLC~~ respectfully requests that this Court grant the following relief:

- a. Declare that Promontory does not infringe any claim of the '231 patent;
- b. Declare that each and every claim of the '231 patent is invalid;
- c. Declare that each and every claim of the '231 patent is unenforceable;
- d. Declare that Promontory does not infringe any claim of the '286 patent;
- e. Declare that each and every claim of the '286 patent is invalid;
- f. Declare that each and every claim of the '286 patent is unenforceable;
- g. Award Promontory damages in an amount to be determined at trial to compensate it for all losses suffered as a result of the Reserve's conduct;

- h. Order the Reserve to account for and pay as damages to Promontory all profits and advantages gained from the Reserve's false and misleading assertions regarding Promontory's IND service;
- i. Award Promontory punitive damages in an amount to be proved at trial;
- j. Award Promontory equitable relief, including a preliminary and permanent injunction against the Reserve Parties from (a) enforcing or attempting to enforce the '231 patent and the '286 patent against Promontory's customers and service providers, and (b) making false or misleading assertions regarding the IND service or Promontory to actual or prospective customers or service providers of Promontory;
- k. Find this case "exceptional" within the meaning of 35 U.S.C. § 285 and award Promontory all reasonable attorneys fees, expenses, and costs;
- l. Award Promontory such reasonable attorney fees, interest, and costs pursuant to the Lanham Act and as otherwise provided by law; and
- m. Award such other relief as this Court deems just and proper.

Dated: March 27, 2009

Respectfully submitted,

/s/ Andrew Nicely

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